ANNUAL REPORT
1955

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INTERNATIONAL MONETARY FUND

WASHINGTON, D. C.

ANNUAL REPORT

1955

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INTERNATIONAL MONETARY FUND

ANNUAL REPORT OF THE EXECUTIVE DIRECTORS FOR THE FISCAL YEAR ENDED APRIL 30, 1955

WASHINGTON, D.C.

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CONTENTS

APPENDICES

INTERNATIONAL MONETARY FUND

Ivar Rooth
Managing Director and Chairman of the Executive Board

H. Merle Cochran
Deputy Managing Director

Executive Directors	Alternate Executive Directors
Frank A. Southard, Jr.	John S. Hooker
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Beue Tann	Ching-Yao Hsieh
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P. S. Narayan Prasad	V. G. Pendharkar
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Ahmed Zaki Saad	Albert Mansour
José Luna-Guerra	Jorge Sol
André van Campenhout	Maurice Toussaint
D. Crena de Iongh	H. M. H. A. van der Valk
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Takeo Yumoto	Boonma Wongswan
S. T. G. Åkermalm	Torben Friis
Otmar Emminger	Otto Donner
L. H. E. Bury	B. B. Callaghan
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Directors of Departments and Offices

Hirendra Lal Dey	Director, Asian Department
John M. Stevens	Director, European Department
Irving S. Friedman	Director, Exchange Restrictions Department
Richard B. Brenner	Acting General Counsel
Anwar Ali	Director, Middle Eastern Department
E. M. Bernstein	Director, Research Department
Y. C. Koo	Treasurer
Jorge Del Canto	Acting Director, Western Hemisphere Department
Phillip Thorson	Director, Office of Administration
Roman L. Horne	Acting Secretary
J. V. Mladek	Director, European Office (Paris)

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LETTER OF TRANSMITTAL
TO THE BOARD OF GOVERNORS

July 1, 1955

My dear Mr. Chairman:

In accordance with Section 10 of the By-Laws of the International Monetary Fund, I have the honor to present to the Board of Governors the Annual Report of the Executive Directors for the fiscal year ended April 30, 1955. As in previous years, the Report also includes references to developments that occurred and information that has become available between the end of the fiscal year and the date of this letter of transmittal.

Yours sincerely,

/s/

IVAR ROOTH

Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

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I

The Prospects for Convertibility

IN the course of 1954 and the first half of 1955, further considerable progress has been made in the direction of freer and less discriminatory trade, on the basis of freer and more multilateral payments arrangements. There has been a continuation of the movement noted in the previous year, when—in response to an expansion of the volume of world trade and a movement toward a more satisfactory balance in the payments positions of many countries—steps were taken, both in Western Europe and elsewhere, to relax the restrictions previously imposed for balance of payments reasons on imports, on currency transfers, and on dealings in foreign exchange. Some of these measures were of no great significance if they were considered in isolation, but their result in the aggregate contributed to a substantial improvement in international economic and financial relations.

Already during the last year benefits have accrued from the widening freedom in international payments recorded in the previous year. The increases in imports, including imports from the dollar area, which liberalization measures have permitted have, in general, not created balance of payments difficulties. Many countries have shown a determination to advance further step by step toward the liberation of trade and currency convertibility, and the environment created by the international payments situation described later in this Report has been favorable for these advances. Because of the persistence of favorable payments balances throughout 1953 and 1954, many countries, and especially the European industrial countries, have found it possible to reduce their use of restrictions, or even in a few cases virtually to abandon them. But even countries whose own payments situations are not yet such as to encourage them to dismantle restrictions are finding it more difficult to obtain from their trading partners that reciprocity without which bilateral or regional arrangements based on inconvertibility lose many of their advantages.

Within the framework of the OEEC liberalization program West European countries have undertaken to free from restrictions agreed proportions of their mutual trade. Such liberalization has frequently been extended to imports from other non-dollar sources. Since the setback of 1951-52, OEEC countries have gradually liberalized an increasing proportion of their mutual trade. Progress in this direction continued in 1954 and 1955, and this progressive removal of import restrictions must be regarded as one of the factors which, along with the rapid expansion in European production, have helped to account for the sharp increase in intra-European trade.

The point has probably now been reached where the obstacles to further progress in the removal of quantitative restrictions in Europe lie as much in the desire to protect individual industries, especially in the agricultural sphere where social and strategic considerations play an important role, as in the continuance of payments difficulties. It is noteworthy that, with very few exceptions, such European countries as experienced adverse trends, mostly of a minor sort, in their balance of payments in 1954 and 1955 have not reintroduced or intensified their import restrictions.

Outside Europe, where policy on import restrictions has not in general been the subject of joint agreement, the relaxation of such restrictions played an important part in the expansion of imports in many primary producing countries in 1954. However, while some countries, such as Canada and some Latin American countries, eschew the use of restrictions for balance of payments purposes, and others, such as South Africa, are moving in this direction, these countries are still the exception, and the weakening of the reserves of several primary producing countries in the second half of 1954 has already led, notably in Australia and Thailand, to an increase in import restrictions.

Not only has general reliance on import restrictions for balance of payments reasons been declining in most parts of the world, but there has also been a tendency to give more equal treatment to imports from different sources or paid for in different currencies, i.e., to reduce the degree of discrimination. In some countries, particularly in Europe, rising gold and dollar reserves have led to a reduction to a low level of restrictions imposed for balance of payments reasons on imports from any source. In these circumstances, any reduction in restrictions by these countries must apply to a considerable extent to restrictions against hard currency imports and, since these restrictions are usually the most severe, this automatically tends to reduce the degree of discrimination practised. In addition, there has been, both in Europe and in the sterling area, an increasing desire to enjoy the competitive advantage of buying in the cheapest market and a weakening of apprehensions that nondiscrimination on a world-wide basis would endanger trade within a smaller area. Finally, there have been developments in payments arrangements, in the relative scarcities of different currencies, and in transit trade which tend to diminish the importance of the choice of the currency in which imports are paid for and of the source from which they are bought.

The existence of the multilateral offsetting arrangements of the European Payments Union has for several years removed any incentive for most of its member countries to discriminate in their mutual trade, and the principle of nondiscrimination in this trade has been adopted as an integral feature of the OEEC liberalization program. Though the obligations of this program do not extend to the dependent territories of OEEC members, the institution of the EPU has probably led to a diminution of discrimination in these territories as between imports from the mother country and imports from other member countries. In the independent members of the sterling area, there has, in recent years, been little discrimination for payments reasons against imports from continental OEEC countries.

Modifications introduced in the spring of 1954 into the exchange control systems of the United Kingdom and the Federal Republic of Germany reduced the incentive for trading partners outside the EPU monetary area to discriminate in favor of these countries as against other non-dollar countries. Practically all sterling balances held by nonresidents, other than registered accounts, balances held by residents in dollar countries, and those held in blocked accounts, were unified into a single category of Transferable Sterling, which is freely transferable between account holders outside the dollar area. Previously such transfers had been subject to conditions or to special permission. This category of sterling has always been freely transferable to residents in the sterling area. In the Federal Republic of Germany, traders were similarly permitted to make payments to and, subject to certain reservations, accept receipts from all non-dollar countries in a new type of mark, the partly convertible deutsche mark, freely transferable between such countries. The transferability of sterling and of the new deutsche mark has been made more effective by the increased willingness of many countries to accept these currencies in their trade with other countries. Apart from these rather general measures, in some countries the use of administrative transferability has also been extended, under which particular transactions between bilateral partners are settled through the payments agreements of both with a third country.

The exports of the countries of the dollar area suffer most from discrimination on currency grounds elsewhere; these countries are excluded from the general measure of transferability discussed above, and their currencies are those into which the conversion of other currencies is most reluctantly accorded. Nevertheless, here too progress has been made in the past year toward convertibility and nondiscrimination. Some of the OEEC countries, e.g., Belgium-Luxembourg, Greece, the Netherlands, and Switzerland, which have felt able largely to dispense with import restrictions on balance of payments grounds, have extended liberalization equally to dollar and to non-dollar imports. Belgium-Luxembourg and the Netherlands made further substantial advances in 1954 in the liberalization of imports from the dollar area. In the United Kingdom and Western Germany, too, a large proportion of dollar imports has been liberalized. The OEEC has also undertaken as one of its regular functions to review and foster dollar liberalization.

A similar change of attitude has been evident within the sterling area, where the monetary authorities of the members have generally always had the right to convert their sterling into dollars; discrimination against dollar imports has been applied by the members of the sterling area on the basis of a cooperative understanding. In recent years, however, there has been a trend toward nondiscrimination, and South Africa and Pakistan have ceased to discriminate between dollar and non-dollar imports.

The increasing competitive strength of European manufacturers in world markets and the increased scarcity of some European currencies relative to the U. S. dollar have also tended to reduce the degree of discrimination against dollar imports in countries outside the EPU currency areas, as well as to bring about a measure of *de facto* convertibility for these currencies.

During and after the war, many Latin American countries acquired substantial balances in European currencies, especially sterling, and their inability to convert these currencies gave them a strong incentive to discriminate against dollar imports. In more recent years, the balance has swung the other way and accumulations of sterling have been used up. Some countries have had to buy sterling either against dollars in world markets, or from the Fund. The United Kingdom has been reluctant to grant bilateral credits outside Europe. Though Germany has granted substantial credits of this kind, their amount has been reduced since 1953. In general, there is a limit to the amount of bilateral credit that surplus countries are willing to grant and, when this limit is reached, bilateral partners either have to restrict imports under the agreement or to pay in an acceptable currency,e.g., dollars. When bilateral credit margins have been exhausted and settlements with the bilateral partner are being made in dollars, the incentive to discriminate is greatly reduced and tends to disappear altogether. Examples of this are provided by the reduction in Japan and Brazil of the discrimination favoring sterling over dollar imports that followed sterling shortages in these countries.

While there has been no formal extension in 1954 and 1955 of the convertibility into dollars of private balances of non-dollar currencies, various forms of *de facto* convertibility have been extended, or operations have been undertaken which have some of the effects of convertibility. Reference is sometimes made to "commodity convertibility," which means that a country with an inconvertible currency permits its traders to buy certain commodities from countries with convertible currencies against payment in convertible currency, for resale to other countries against payment in its own or other inconvertible currencies, with no obligation to receive the convertible currency through a reverse transaction. This type of convertibility has thus far been particularly important in the United Kingdom, which in 1954 extended it to raw sugar and copra, having previously applied it to coffee, cocoa, and the nonferrous metals.

Another form of *de facto* convertibility operates through the free markets, especially in Zürich and New York, where currencies which are not convertible into dollars through official channels, principally transferable sterling, can be sold at a discount against dollars. Such conversions are usually brought about by the willingness of the import authorities in some countries to admit imports originating in the dollar area more liberally if paid for in inconvertible currency than if paid for in dollars. The rate at which such conversions can take place has, until recently, been sustained partly by transactions under which goods or services bought with the currencies in question, ostensibly for the use of other inconvertible countries, are in reality diverted to the dollar area and sold for dollars.

In 1954 and 1955 several developments have tended to increase the substantive importance of this type of unofficial convertibility. The extension of sterling transferability in March 1954 to practically all non-dollar countries involved the abandonment of the attempt previously made by the United Kingdom to restrict such transfers to current transactions between the countries participating in the transfer. Transferable sterling became easily salable against dollars, and the same is true of the partly convertible deutsche mark.

Other factors have tended to make a larger amount of conversion possible at a smaller discount against the dollar. When sterling is wanted to meet sterling deficits or to reduce bilateral positions in advance of monthly EPU settlements, some countries have preferred to purchase sterling on the free market, rather than purchase it with gold or dollars at the official rate. For a time, commodity switch operations, involving the diversion to the dollar area of goods consigned to a non-dollar country, served to sustain the free market rate, while putting pressure on the official rate. Finally, in February 1955 a new element entered in the form of official intervention by the U. K. authorities in foreign markets that deal in transferable sterling.

As a result of all these factors, there is a high degree of effective convertibility of sterling and of the deutsche mark into dollars at discounts which at the time of writing this Report were approximately 1 per cent below the official rates, and to some extent this was also true of other currencies.

Despite the extension of nondiscrimination and multilateralism in trade and payments, there is still a great network of bilateral trade and payments agreements which links the inconvertible countries of the world. However, some of the payments agreements, such as those between OEEC countries and those of the United Kingdom, have practically lost such tendency as they once had to force trade into an artificial bilateral balance.

Insofar as the purpose of bilateralism is to balance trade by exchanging preferences, it becomes more and more difficult for countries with a favorable payments position to justify on balance of payments grounds the retention of restrictions that permit them to offer such preferences. For the same reason, it becomes more and more difficult for their bilateral partners to secure any real advantages from the agreements. Bilateral arrangements in some manufacturing countries now tend increasingly to be motivated by the desire to safeguard the interests of sections of the population engaged in export industries rather than by balance of payments considerations. Sometimes bilateral agreements are maintained at the cost of providing increasing amounts of credit from the industrial to the primary producing partner. As the extension of bilateral credit ceases, the question of the extent to which the retention of such bilateral arrangements will continue to serve the interests of the parties concerned will increasingly present itself.

After due account has been taken of all the factors that have either accelerated or checked the movement toward liberalization and convertibility during the year under review, the record can be regarded as fairly satisfactory. Though the advances have been less rapid than in the previous year, they have still been of considerable significance. The moment at which liberalization measures are actually taken is not necessarily the most important point in a movement toward convertibility. More important may be the stage where national economies are being adjusted to the competitive conditions implied in measures taken earlier. Success in making these adjustments will demonstrate that earlier moves in the direction of liberalization were not premature and will make it possible to consolidate the gains resulting from earlier efforts and to make further progress.

It may be concluded from the developments of the past year or two that, should the trend of international payments continue to be favorable, this, even apart from formal moves in the direction of *de jure* convertibility, should bring about an extension of nondiscrimination, and a weakening of the structure of bilateralism, and thus a further extension of *de facto* convertibility.

Prospects for continued improvement in the immediate future in the international payments situation are, in general, good. Economic trends in the United States inevitably continue to be a matter of outstanding interest to the rest of the world. The role of the United States in the world economy is no doubt more important than that of any other single country. The relations between the United States and the rest of the world have, however, always been relations of interdependence, events elsewhere often having a substantial impact upon the United States. The experience of the last year has shown that many countries have been able to adjust themselves without great difficulty to moderate fluctuations in U. S. activity. On the other hand, the strong domestic position maintained by other countries had some importance—apart from the relaxation of their import controls—for the maintenance of effective demand for goods and services in the United States, and therefore for restraining fluctuations in the U. S. economy within modest limits. Industrial production in the United States had by May 1955 recovered to its previous maximum and was advancing to higher levels. By its effects on U. S. import demand, a high level of industrial activity in the

United States should assure an increasing supply of dollars to the world and, in particular, an improvement in the position of many primary producing countries.

Nevertheless, the world payments situation is still subject to elements of uncertainty which may place some countries in a precarious position. The balance of payments of the rest of the world is still supported by some $4 billion of U. S. Government expenditures (other than the provision of military supplies and equipment which represent a grant in kind), and some countries are heavily dependent on these expenditures. Moreover, the tendency for supply to outrun demand, as evidenced by the accumulation of surplus stocks, may seriously affect the prospects for exporters of certain primary products, notably coffee, but also cotton and perhaps wheat. In this connection, the policies widely adopted in many countries for supporting farm incomes continue to present problems that render difficult the attainment of a satisfactory pattern of international trade. Several governments have been particularly concerned by the possible impact upon their trade of the U. S. Government's measures for the disposal of agricultural surpluses that have accumulated as a result of these policies. A waiver of certain Articles of the General Agreement on Tariffs and Trade granted by the CONTRACTING PARTIES at their Ninth Session permits the application of certain restrictions on agricultural imports by certain countries. An intensified use of such restrictions may also increase the payments difficulties of agricultural exporting countries and make it more difficult for some of them to abandon their bilateral arrangements.

Many countries still find the restrictions upon the entry of goods into important markets an impediment to the establishment of a strong balance of payments position, and in this connection the policy of the United States is regarded as having special importance because of the predominant position of that country as a world producer and world trader. In pursuance of the trade program formulated by the U. S. Administration, the Trade Agreements Act has been extended and amended so as to provide increased authority for tariff negotiations. The U. S. Congress has been asked to approve participation in the Organization for Trade Cooperation, whose principal function will be to administer the GATT, and the Congress is also considering legislation to carry out the Administration's request for a further simplification of customs procedures. Although the effect of these measures cannot be determined at the time of writing this Report, it appears that there will be a further lowering of tariffs and other barriers to trade.

Even if developments are such as to ensure the continuance of an adequate supply of dollars to the rest of the world, it will, of course, still be necessary to give constant attention to the national and international policies upon which the establishment and maintenance of strong domestic economies depend. Although in several countries the curbing of inflation still presents a problem for which no solution has yet been found, there is now in general a much clearer understanding of the value of the instruments of monetary and fiscal policy for ensuring stability. There is also an increasing willingness to use these instruments quickly and flexibly, as changes in circumstances may require, either to relax or to strengthen monetary restraint. The problem of ensuring that, at satisfactory levels of employment, wages will be adequately related to productivity so as to diminish the risks of price instability also has yet to be solved.

In discussions of the conditions of convertibility, the emphasis is usually and naturally placed on the actions of the more highly developed countries, whose currencies are widely used in world trade, and whose financial situation makes possible a degree of initiative that may not be possible elsewhere. It is indeed largely upon these countries that the responsibility for action mainly falls. Convertibility, however, has been accepted as one of the purposes of the Fund because its attainment would be in the best interests of all the members of the Fund, both the underdeveloped countries and the more highly developed countries alike. The widespread attainment of convertibility would be an indication of the growing strength of the world economy; at the same time it would be an important means for consolidating and increasing that strength, with consequent benefits for all Fund members. Many countries, including most of the main importers, are no longer willing to pay prices for raw materials and foodstuffs in non-dollar currencies that are higher than prices in dollar currencies. This means that underdeveloped countries have to meet price competition in world markets, and therefore need the freedom to use the proceeds of their exports to every country in payment for their imports from any country. It is in their interests to purchase in the best markets the capital equipment that they need. If the underdeveloped countries were able to establish and maintain convertibility, this would itself be a positive element encouraging foreign investment.

In the further development of the favorable trends that have been apparent during the last two years, the Fund has an important part to play. As indicated in later sections of this Report, its practices, particularly with regard to the use of its resources, have now been developed to the point where, in association with its members, it can actively promote the attainment of their common objectives. These practices are constantly under review in order to increase their efficiency and usefulness.

II

World Payments Developments in 1954-55

DEVELOPMENTS in the United States have for many years been a factor of continuing significance in the evolution of the world payments position. Industrial production in North America has on three occasions since the end of World War II undergone declines, albeit moderate and short-lived. In all three an important part was played by inventory reductions resulting from a flattening out or temporary setback to the upward movement of final demand; the first, associated with the transition from war to peace economy, took place in 1945-46, the second, in 1948-49, and the third, in 1953-54. While incomes in some primary producing countries were adversely affected—in 1949 at any rate—on none of these occasions did the recession spread to any substantial extent to other industrial areas. This was scarcely surprising in the first two cases in view of the strength of the investment and other demand arising from the need to reconstruct the economies of Europe and Asia. The third recession began in the summer of 1953, at a time when the special needs both of postwar reconstruction and of post-Korean rearmament had been largely met; it is encouraging that it was checked, without great difficulty, as early as the spring of 1954, and that it did not spread to other parts of the world. Indeed, industrial production outside North America,[1] which was equal to some two thirds of North American output, expanded at least as much in 1954 as in 1953, and this ex-

[1] Excluding production in Soviet countries.

pansion was sufficient to maintain the level of world industrial production as a whole.

Even more surprising than the absence of any important effect of the North American recession of 1953-54 on economic activity elsewhere is the slightness of its repercussions on the over-all payments situation. The conjunction of a downswing in the dollar area with an upswing in non-dollar industrial areas might have been expected to curtail world trade and to cause a recrudescence of payments difficulties in the non-dollar world. In fact, the value of world trade increased throughout 1953 and 1954; in 1954 it was 4.5 per cent larger than in the year before (Table 1). Since the unit values of goods moving in world trade probably fell a little, the increase in the volume of world trade was rather more than 4.5 per cent. International capital movements also were greater in 1954 than in 1953. Not only did the volume of international transactions increase, both absolutely and in relation to world activity, but also, with some significant exceptions, the reserve positions of non-dollar countries continued to improve. The reserves of the group as a whole increased by approximately $2.2 billion, compared with the increase of $2.6 billion in 1953. This unexpected outcome, though favored by special circumstances, is evidence of the strength of the underlying trend toward world economic and payments equilibrium.

The absence of any serious payments difficulties attributable to the U. S. recession cannot be explained in terms of any diminished sensitivity of U. S. imports to business conditions in that country. As shown in detail in later sections of this Report, the *volume* of U. S. imports declined more in proportion to the decline in production than in 1948-49. The fact that the *value* of U. S. imports declined in 1953-54 with something less than normal severity is to be explained by the behavior of import prices. On the average, these prices did not decline but actually rose slightly. The prices of raw material imports fell by some 3 per cent; the prices of some foodstuffs, notably coffee, however, rose substantially. The maintenance of U. S. import prices for primary products was no doubt largely responsible for the somewhat greater decline in the volume of U. S. imports. This is clearly visible in the case of coffee. But on balance

TABLE 1. VALUE OF WORLD TRADE, 1953 and 1954[1]

	1953 (*f.o.b.; billion U. S. dollars*)	1953 1st half	1953 2nd half	1954 1st half	1954 2nd half
		(*annual rate as percentage of full year 1953*)			
World trade[2, 3, 4]	71.00	97.5	101.0	102.5	107.0
Trade between major industrial countries					
Trade between United States and Canada	5.60	100.0	100.0	94.5	91.1
Intra-OEEC European trade	13.55	96.5	103.2	104.0	116.6
Exports from United States and Canada to OEEC Europe and Japan[3, 4]	4.30	95.5	104.5	107.0	114.0
Imports by United States and Canada from OEEC Europe and Japan	3.05	98.5	101.7	88.5	95.1
Trade between major industrial countries and major primary producing areas[5]					
Exports from primary producing areas to					
United States and Canada	6.40	106.5	93.7	101 7	87.5
OEEC Europe and Japan	13.30	102.1	97.7	106.8	97.7
Imports by primary producing areas from					
United States and Canada[3]	5.65	99.2	101.0	101.0	106.2
OEEC Europe and Japan	10.50	95.3	103.9	108.6	111.5

Sources: *Direction of International Trade* (New York); *International Financial Statistics* (Washington); *OEEC Statistical Bulletins, Foreign Trade*, Series I (Paris); and national trade statistics.

[1] Data on the trade of the areas listed in the table do not add to total world trade. Trade between primary producing countries and trade between the U.S.S.R. and other countries of the Soviet bloc are not included. Also, the sources of data for the trade of individual areas contain differences that create statistical discrepancies of coverage and timing.

[2] Export data excluding exports of Mainland China, U.S.S.R., and nonreporting countries of Eastern Europe, U. S. exports of special category goods, and Canadian military exports under aid to NATO.

[3] Excluding U. S. exports of special category goods.

[4] Excluding Canadian exports of military equipment under aid to NATO.

[5] Primary producing areas include overseas sterling area, Latin America, continental OEEC dependencies, and other primary producing countries, mainly non-sterling countries in the Middle East, Far East, and Africa. The export data in this group are based on imports reported by the United States and Canada and by OEEC Europe and Japan; and the import data are based on exports reported by those countries.

the effect was definitely to hold in check the decline in the value of U. S. imports, and thus in the supply of dollars to the rest of the world.

The stability in the average level of prices of primary products helped not only to maintain the supply of dollars to the rest of the world, but also to sustain the terms of trade of the primary producing countries. This was due in part to the substantial expansion in output and real income in industrial countries outside North America, and hence in their demand for primary products. On the other hand, in several of these countries, particularly the United Kingdom and Japan, inventories of imported materials were reduced in 1954. Furthermore, there was a rather general decline in the relative importance of textile production, which relies heavily on raw material imports. On the supply side, the actual or anticipated reduction of output of certain commodities, notably coffee and cocoa, also helped to keep up primary product prices. At certain periods, policies of price maintenance in some exporting countries also affected the prices of coffee and of some other commodities for which demand conditions were less favorable. These policies were often carried out by means of stock accumulations in the exporting countries, where the process of stock disposal which had been frequent in 1953 was reversed. In addition, the high level of internal demand in primary producing countries may have helped in some cases to support the prices of their own products.

While the stability of prices of primary products tended to sustain North American import expenditures, a variety of conflicting forces operated on North American exports. Full employment and rising real income in Western Europe naturally tended to increase the demand for these exports. Most of the primary producing countries also spent more on imports (see Table 1), a factor which affected the balance between these countries and the industrial areas as a whole even more than the balance between the former and North America. Moreover, the fairly widespread reduction, especially in Europe and European currency areas, of discriminatory restrictions against dollar imports also tended to expand North American exports.

The effects of these factors were offset, to a considerable extent, by a marked increase in the competitiveness of some non-dollar industrial countries, in comparison with the United States. This increased competitiveness tended to limit the increase in U. S. exports both to Europe itself and to primary producing countries. Declines in the prices of foodstuffs and materials exported from North America—declines somewhat intensified by good European harvests in 1953-54—also helped to keep down the increase in North American export proceeds to rather modest amounts until the second half of 1954. At that time the effects of dollar liberalization in Europe began to appear, and scarcities of coal and steel provided an inducement to purchase more from the United States.

All these influences bearing on the current account acted to reduce the deterioration in the over-all payments balance of the rest of the world with North America in 1954. Another important favorable influence was the expanded net outflow of capital funds from the United States. This outflow, which is difficult to measure statistically, covers a variety of miscellaneous transactions. Much of it was short-term money, and the direction of its movement could easily be reversed; but in the aggregate these movements had a substantial effect upon the international payments position in 1954. The expansion of U. S. exports to Latin America brought with it a normal expansion of short-term credit, and there was also some accumulation of payments arrears in that area. The increased outflow of U. S. capital to the sterling area, through the International Bank for Reconstruction and Development and other channels, and the reduced inflow from continental Europe were, however, to some extent a response to movements in relative interest rates and greater confidence in national currencies. There was little change in the aggregate movement of long-term capital funds from the United States to Canada; the movement of short-term money from Canada, which had been quite large in the two preceding years, was not significant in 1954.

Most of these factors which helped to determine the course of the balance of payments of the United States with the rest of the world in 1954 were also decisive in determining changes in the balance between industrial and primary producing areas. Historically, the adverse effects on other industrial countries of a decline in their direct exports to the United States during a U. S. recession have usually been partially offset by the reduced cost of their imports of primary products, though this offset has itself been weakened by a resulting decline in their exports to primary producing areas. The relative steadiness of prices of primary products in 1953-54 might have been expected to throw on other industrial countries most of the strain on payments balances arising from the North American recession rather than on other primary producing countries.

There were, however, two other developments that improved the balance of trade of the non-dollar industrial countries with the primary producing areas: first, the aggregate imports of the primary producers increased, and second, the increased competitiveness of European and Asian industrial production increased the proportion of the manufactured imports of primary producing countries that was drawn from non-dollar sources. The share of the OEEC European countries as a whole in these import markets was practically the same in 1954 as in 1953 (Table 2), declining in the overseas sterling area but rising elsewhere. But the rate of expansion was greater for continental OEEC exports than for U. K. exports. The share of North American exports diminished, though these exports actually increased by 7 per cent. The share of Japan increased by 12 per cent, Japanese exports to the import markets of primary producing countries rising by 24 per cent. These differences in the trends of export expansion were observed in all recipient areas, except that Japan lost ground in "Other" countries, and the U. K. share in the market of continental European dependencies increased, reflecting perhaps some decline in import discrimination.

For Japan the expansion of exports to primary producing countries was due mainly to factors other than the relative movement of export costs, such as the removal of discriminatory restrictions in the sterling area, the increasing availability of exportable goods, and the restoration of prewar commercial connections. And while bilateral arrangements were being relaxed considerably by the United Kingdom, some continental European countries and Japan may have

TABLE 2. VALUE OF EXPORTS FROM INDUSTRIAL TO PRIMARY PRODUCING COUNTRIES, 1953 AND 1954

	1953					1954				
	Continental OEEC Dependent Territories	Overseas Sterling Area	Latin America	Other	Total	Continental OEEC Dependent Territories	Overseas Sterling Area	Latin America	Other	Total
Value, in millions of U. S. dollars	2,444	5,867	4,697	3,001	16,009	2,586	6,382	5,471	3,056	17,495
Per cent of 1953	100	100	100	100	100	105.7	108.8	116.5	101.8	109.2
					Percentage distribution					
All industrial areas	100	100	100	100	100	100	100	110	100	100
Continental OEEC	81.5	21.2	26.7	33.4	34.3	81.6	22.2	27.8	36.4	35.2
United Kingdom	5.2	55.3	6.7	12.8	25.4	5.4	53.5	6.1	12.4	24.4
United States and Canada	12.2	18.7	64.4	37.3	34.6	11.6	17.4	62.5	36.6	34.0
Japan	1.0	4.8	2.2	16.5	5.7	1.5	6.9	3.6	14.6	6.4

Sources: *Direction of International Trade* (New York); *OEEC Statistical Bulletins, Foreign Trade,* Series I (Paris).

gained somewhat, at the expense of the United Kingdom, from the retention of intensification of such arrangements, for example, with Latin American countries. The success of continental Europe in the markets of primary producing countries must, however, be attributed mainly to increased competitiveness, both in price and in the availability of supplies.

As a consequence of all the divergent influences that have been noted above, the over-all balance of continental OEEC countries as a whole was much the same in 1954 as in 1953, and the increase in U. K. reserves, though reduced, was still substantial. The balances of payments of most primary producing areas, however, deteriorated significantly, surpluses in 1953 being succeeded in 1954 by deficits in Latin America and by much smaller surpluses in the independent overseas sterling area. Most of this deterioration is accounted for by developments in a few of the larger South American countries and in Australia and New Zealand.

The improvement in the competitive power of the industrial exporters of continental Europe and Japan is to be explained in part by an increase in productivity, and in part by the maintenance of adequate internal financial stability. In Japan, which still has the support of large U. S. Government expenditures, disinflation played a definite role in the rectification of the balance of payments, which had been in serious difficulties in 1953. The decline from 1953 to 1954 in the rate of growth of U. K. reserves (including changes in net EPU and IMF positions) is partly attributable to an increase in the overseas sterling area's imports from non-sterling countries. This increase, which was part of an increase in the area's imports from all sources, was financed by allowing reserves to fall in certain countries, and in part apparently by an enhanced rate of capital import from the United Kingdom. The decline in the rate of growth of U. K. reserves was, however, also partly due to a deterioration in the current account of the United Kingdom itself with non-sterling countries. The immediate cause of the decline of reserves early in 1955 was an expansion of imports which went considerably beyond that of exports. This proved the more serious when considered against the background that throughout 1954 competition with U. K. exports, with the continued recovery of some of its main competitors, became increasingly severe. U. K. exports did not expand as fast as those of some other industrial countries, particularly in non-sterling markets, partly owing to a somewhat slower growth in productivity and partly because of the pressure of internal demand and the upward trend of wage rates. In February 1955 reserves started falling, and the U. K. Government took measures to correct the situation, including raising the bank rate first to 3½ per cent, and on February 24 to 4½ per cent.

The weakness of sterling exchange rates in the second half of 1954 was accentuated by increased dealings at a discount in transferable sterling against U. S. dollars in markets overseas; the discount at which transferable sterling was quoted widened from under 1 per cent early in 1954 to almost 3 per cent at the end of the year. In February 1955 the Exchange Equalization Account authorities were authorized to use wider discretion in operating in transferable sterling markets so that they might be in a better position to carry out the general exchange policy of the United Kingdom and make the most prudent use of reserves. It is understood that the purpose of this decision was primarily to reduce the use of transferable sterling for commodity shunting and to ensure as far as possible use of the official rate in all international trade transactions. After the decision was announced, the discount on transferable sterling in overseas markets again narrowed to slightly less than 1 per cent.

In informing the Fund of its action, the U. K. Government expressed the view that intervention by the authorities would not only help to maintain the strength of sterling but would also promote the Fund's objectives of orderliness and stability in exchange arrangements; it marked yet another step in the U. K. movement toward freer trade and payments. The Fund welcomed the United Kingdom's action as being in the direction of the Fund's objectives.

The deterioration in the payments positions of primary producing countries as a group was not as a rule attributable to any decline in their export earnings. It was due rather to the aforementioned expansion of their imports. This expansion was mainly a reaction to the abnormally low level to which imports had been restricted in 1953, and to the persistently strong pressure of internal demand generated largely by rapid development and in some countries by other inflationary influences. There was, moreover, a situation of external financial ease, which helped the financing of additional imports. In the overseas sterling area, this was in part a result of increased capital imports from the United Kingdom, the United States, and the International Bank for Reconstruction and Development, but in general it was mainly a consequence of the reserve accumulations of the previous year.

Despite the moderating influences discussed above, the decline in economic activity in North America resulted in an outflow of gold from the United States in 1954 which, though still large, was appreciably smaller than in 1953 (see Table 3). The corresponding changes in the rate of growth of the reserves of countries outside the United States were, moreover, not uniformly distributed. For Canada and for the "Rest of the World" (see bottom row of Table 3) the movement in 1954 was more favorable than in 1953. For Canada the change appears to have been associated with a cessation of previous short-term capital outflows. For the "Rest of the World" it was partly a result of the policies of domestic disinflation and restrictions followed by some of the countries in the group. However, despite the marked improvement in the movement of reserves of this group—an increase in 1954 in contrast to a decrease in 1953—their total was still less at the end of 1954 than it had been two years earlier. The reserves of the continental OEEC countries as a whole continued to increase in 1954 at much the same rate as in 1953.

For the sterling area and Latin America, on the other hand, the increase in aggregate reserves in 1954 fell short of the increase in 1953 by $1.1 billion. However, except in a few countries, this did not cause any serious payments difficulties. In many cases, there was little more than the slowing down of an earlier rapid rate of reserve accumulation. This was true also for the sterling area as a whole. Even where reserves declined, their level at the end of 1954 was usually close to, and sometimes well above, the level at the end of 1952.

In 1948-49 a recession of a magnitude not unlike that of 1953-54

Table 3. World Gold and Foreign Exchange Reserves (Including Net EPU and IMF Positions)[1]

Area	Reserves (million U. S. dollars)					Reserves as Percentage of 1953-54 Average Imports	
	End of 1952	Change in 1953	Change in 1954	Difference between accumulation in 1954 and in 1953	End of 1954	End of 1952	End of 1954
World[2]	47,070	1,330	1,750	+420	50,150	60	64
United States	24,715	−1,256	−479	+777	22,980	216	200
Canada	1,939	−38	128	+166	2,029	41	43
Dollar Latin America	1,635	66	−71	−137	1,630	46	46
Non-dollar Latin America	1,510	295	−95	−390	1,710	46	52
Continental OEEC countries	8,285	1,370	1,435	+65	11,090	37	49
United Kingdom	1,312	803	586	−217	2,701	14	29
Independent overseas sterling area countries	4,250	420	40	−380	4,710	58	64
Rest of world[3]	3,424	−330	206	+536	3,300	22	21

Source: Computed from basic data in *International Financial Statistics* (Washington).

[1] Reserve data include net EPU position (i.e., difference between net credits granted to EPU and net credits received from EPU) and net IMF position (i.e., paid IMF subscriptions less IMF holdings of currency of area or countries concerned).

[2] Excluding U.S.S.R. and Mainland China and countries associated with them.

[3] Japan, Indonesia, and Egypt are among the countries in this group.

created considerable payments difficulties and helped to precipitate a series of currency devaluations. Nothing of this kind occurred in 1954; in most non-dollar countries the foundations had, by 1954, been laid for a much stronger balance of payments position than had existed in 1948. In mid-1953, moreover, when the recession began, the total gold and dollar holdings of countries other than the United States were nearly $22 billion, or about 50 per cent larger than at the end of 1948. By the end of 1954, the total had risen to $25 billion.

III

Payments Developments in the Principal Regions

United States

THE recession of economic activity in the United States which set in after the second quarter of 1953 fell into two phases. Between the second quarter of 1953 and the first quarter of 1954, gross national product declined by just under 4 per cent (after allowing for seasonal influences) and manufacturing production by a little more than 9 per cent. Thereafter there was a six months' lull, which brought neither a significant further deterioration nor yet a recovery. A distinctive feature of the recession was the stability of domestic prices throughout 1953 and 1954.

The initial relatively sharp downward adjustment of manufacturing production was followed by a fall in imports in 1953. Though final demand recovered in the fourth quarter of 1954 and manufacturing output responded with a sharp rise, imports did not turn upward again until December 1954. As further expansion of domestic demand early in 1955 raised the index of manufacturing production fully 6 per cent above the corresponding figure for 1954, imports continued to recover and in the first quarter of 1955 were higher than in the corresponding quarter of the previous year.

While the effects of the U. S. recession upon the balance of payments of the rest of the world were sustained without serious difficulties, this was not because its direct effects on international trade were abnormally small. In contrast to 1948, however, many countries outside the United States were in a far better position in 1953 to absorb the impact of a U. S. recession, for the foundations of their balances of payments had been greatly strengthened in recent years. Whereas gold and dollar reserves outside the United States had been falling in 1948, they were rising at an annual rate of more than $2 billion during the year preceding the 1953-54 recession. U. S. Government expenditures abroad did not increase, as they had done in 1948-49, but there was a considerable expansion in the net outflow of private capital funds from the United States—a development which was related only in part to the U. S. recession.

The impact of the recession on the balance of payments is best measured by comparing, not the calendar years 1953 and 1954, but the years ended September 1953 and September 1954. It is then seen that the recession, measured by a contraction of about 2.5 per cent in gross national product and of 7 per cent in manufacturing production, was accompanied by a decline of some 9 per cent in import volume and, since import prices rose by about 2 per cent, of a little more than 7 per cent in the value of imports.

The effect of the recession on the value of imports was clearly not inconsiderable. When these figures are compared with data for the recession of 1948-49 (Table 4), it is seen that the volume of imports fell proportionately more in 1953-54 than in 1948-49. But as unit values in 1953-54 either rose, or fell less rapidly than in the earlier recession, the proportionate decline in the value of imports was much the same on both occasions. The rapid advance in industrial production outside North America no doubt accounts for the absence of any decline in the prices of manufactured imports and also in part for the maintenance of the prices of some raw materials. Threatened shortages of coffee and cocoa helped raise the price level of primary foodstuffs imported into the United States. The decline in import volume was accentuated by consumer resistance to high prices for coffee and cocoa.

The fall of 7 per cent in the value of imports is equivalent to an absolute decline of about $850 million. The total supply of U. S.

TABLE 4. CHANGES IN U. S. MANUFACTURING PRODUCTION, PRICES, AND IMPORTS, 1948-49 AND 1953-54

	Percentage Change Between 1948 and 1949			Percentage Change Between Years Ended September 1953 and September 1954		
	Value	Volume	Unit value (price)	Value	Volume	Unit value (price)
Manufacturing production		−6			−7	
Wholesale prices			−5			0
Imports						
Total	−7	−2	−5	−7	−9	+2
Foodstuffs	+4	+8	−4	+4	−7	+11
Raw materials	−13	−8	−6	−15	−12	−3
Finished manufactures	−5	−2	−3	−2	−3	+1

Sources: U. S. Department of Commerce, World Trade Information Service, Statistical Reports, *Total Export and Import Trade of the United States* (Washington); *Survey of Current Business* (Washington).

dollars[1] to the rest of the world fell, however, by only $300 million. At the same time, the continuance of economic expansion and the relaxation of restrictions on dollar imports abroad raised expenditures on U. S. exports and net expenditures on services by approximately $300 million. The combined effect of these movements was a decline of $560 million, from $2,090 million to $1,530 million, in the net receipts of gold and dollars by the rest of the world from transactions with the United States (Table 5).

The effects of the recession on imports were not offset by any increase in net U. S. Government expenditures abroad; in fact, these expenditures declined slightly as a result of a fall in government grants and loans. On the other hand, the increase in the net outflow of private capital from the United States—estimated at about $820 million (or if "errors and omissions" are excluded, $710 million)[2]—was roughly equivalent to the total decline in U. S. private merchandise imports. The volume of U. S. direct investment abroad was indeed smaller than in the previous year, but the flow of private portfolio long-term and short-term capital, which on balance in 1952-53 had been in the direction of the United States, reverted in 1953-54 to a net outward movement (some of which corresponded to the accumulation of payments arrears). In part, this may have been due to movements in interest rates. The rapidly improving reserve position in many other parts of the world had stimulated repayment of debts to the United States in 1952-53; but following a half year in which the liquidity of the banking system had been increasingly curtailed, credit conditions in the United States became easier in the early summer of 1953, and lower interest rates probably had some influence on the renewal of the net flow of capital funds from the United States in 1953-54.

In the fourth quarter of 1954, while the recovery of U. S. imports was still delayed, there was a further expansion of the net outflow

[1] As measured by private U. S. imports, net private capital outflow (including "errors and omissions"), net government economic grants and loans, military expenditures on goods and services, and other net government payments.

[2] The relevant figures in Table 5 include "errors and omissions" as capital movements. Though by their nature the transactions so labeled are not clear, it is believed that changes in "errors and omissions" in fact largely represent unidentified capital movements.

TABLE 5. SUMMARY OF U. S. BALANCE OF PAYMENTS, 1953-55[1]

(Annual rates in billions of U. S. dollars)

	Year Ended September 1953	Year Ended September 1954	Fourth Quarter 1954	First Quarter 1955[2]
Major sources of dollar supply				
Private transactions				
Merchandise imports[3]	−11.2	−10.3	−10.3	−11.0
Capital (including errors and omissions), net[4]	—	−0.8	−3.2	0.7
	−11.2	−11.1	−13.5	−10.3
Government transactions				
Military expenditures on goods and services	−2.4	−2.6	−2.6	−2.6
Nonmilitary grants and loans, net	−2.0	−1.6	−1.8	−2.8
Other government transactions	0.1	0.1	0.2	—
	−4.3	−4.1	−4.2	−5.4
Major uses of dollar funds				
Private transactions				
Merchandise exports[5]	12.4	12.5	14.2	14.0
Services (including donations), net	1.0	1.2	2.2	1.4
	13.4	13.7	16.4	15.4
Net acquisition of gold and dollar assets from the United States[6]	2.1	1.5	1.3	0.3

Sources: U. S. Department of Commerce, *Balance of Payments of the United States, 1919-1953* (Washington, 1954); "The First Quarter Balance of Payments," *Survey of Current Business* (Washington), June 1955, pp. 5-14.

[1] Transfers of military goods and services under aid and the corresponding grants are excluded No sign indicates credit; minus sign indicates debit.

[2] Preliminary.

[3] Total merchandise imports less military imports.

[4] Net U. S. private capital plus net long-term foreign capital (direct and portfolio) investments other than transactions in U. S. Government securities.

[5] Total merchandise exports less exports financed by military aid.

[6] Gold movement, short-term foreign capital (net), and transactions in U. S. Government securities.

of U. S. private capital, especially on short-term and medium-term, to Europe and Latin America. On the other hand, the continuing liberalization of dollar imports by major European and some sterling area countries, and the further expansion of production and consumer demand in Europe, again increased U. S. exports, which were greater by about 10 per cent than in the fourth quarter of 1953.

As a result, the annual rate of net earnings of gold and dollars by countries outside the United States fell by about $200 million, to $1.3 billion.

This decline was accelerated in the first quarter of 1955. Though U. S. private imports were almost 7 per cent, and net U. S. Government expenditures abroad almost 30 per cent, above the levels of 1954, the annual rate of receipts of gold and dollars by the rest of the world from transactions with the United States fell to $300 million. U. S. exports were at a rate some 10 per cent above that for the first half of 1954. A more important explanation of the fall in the rate of receipts of gold and dollars, however, was the reversal of the net outflow of private portfolio and short-term capital.

What has been said about the course of U. S. transactions with the rest of the world as a whole is not true without important qualification of its transactions with each one of the major trading areas. Exports to the United States by Canada, by several northern Latin American countries, and also by the West African dependencies declined very little, or actually increased (Table 6). Some of these

TABLE 6. VALUE OF U. S. IMPORTS, 1953 AND 1954

(Values in billions of U. S. dollars)

Country of Origin	Year Ended September 1953	Year Ended September 1954	Percentage Change[1]
Canada	2.5	2.4	−4
Northern Latin America[2]	2.3	2.3	+1
Other Latin America[3]	1.3	1.0	−24
Continental Western Europe[4]			
Metropolitan	1.7	1.5	−12
Dependencies	0.35	0.40	+12
Sterling area	1.75	1.55	−12
All others	1.2	1.1	−8
Total	11.1	10.3	−7

Source: U. S. Department of Commerce, World Trade Information Service, Statistical Reports, *Total Export and Import Trade of the United States* (Washington).

[1] Based on figures in millions of U. S. dollars.

[2] Brazil, Central America, Colombia, Cuba, Venezuela, i.e., countries exporting mainly coffee, petroleum, and sugar.

[3] Argentina, Bolivia, Chile, Ecuador, Paraguay, Peru, Uruguay.

[4] Continental OEEC, Finland, Spain, Yugoslavia.

countries export mainly such raw materials as newsprint, petroleum, and aluminum, for which the U. S. demand has shown a strongly rising trend. Others are mainly exporters of coffee and cocoa.

On the other hand, there was a considerable decline in exports to the United States by countries supplying raw materials more sensitive to recession, such as raw wool, rubber, and several nonferrous metals (tin, lead, zinc), or manufactured products which are marginal to U. S. total consumption. The marked decrease in U. S. imports from southern Latin America in 1954 was in part a result of the fact that 1952-53 shipments of wool had been abnormally large. The figure for continental West European countries was affected by a 50 per cent decline in shipments of steel mill products from the abnormally high figure of 1953. U. S. imports from Australia and New Zealand (largely wool) and from Malaya, Thailand, and Indonesia (rubber and tin) also fell considerably.

The increase of about $150 million in total U. S. exports between the years ended September 1953 and September 1954 was the net effect of a decline in shipments to Canada of over 10 per cent, and increases of various magnitudes in exports to all other areas.

Of the total increase in the net outflow of private capital from the United States in the year ended September 1954, net lending to international institutions (mainly the International Bank for Reconstruction and Development) accounted for some $180 million. The increase in the net movement to Canada is estimated at about $250 million. Though U. S. direct investments were some $40 million less than in 1952-53, the net outflow of other private long-term and short-term funds—both U. S. and Canadian—of some $100 million in 1953-54 replaced inward movements of almost twice that magnitude in the previous year. U. S. direct investment in Latin America declined sharply, but there was a considerable outflow of short-term capital funds from the United States in 1953-54, which contrasted with a net inflow in the previous year. In 1952-53 substantial repayments of short-term loans (including accumulated payments arrears) had been made to U. S. exporters by Latin American countries largely from the $300 million Export-Import Bank loan to Brazil that was made at that time, but in 1954 there was a renewed increase in short-term indebtedness which accompanied rising U. S. exports to Latin America, including the refinancing of payments arrears by short-term and medium-term private bank credits.

Private capital movements between the United States, on the one hand, and the sterling area and continental Western Europe, including dependencies, on the other, resulted in a decline in the net inflow to the United States in the year ended September 1954. While on balance the net movement of long-term funds (U. S. and foreign) was still toward the United States, the net flow of U. S. short-term capital to Western Europe increased by $150 million, much of which may be attributed to interest rate motivations and increases in working balances associated with the reopening of European gold and commodity markets.

The net flow of private capital funds from the United States continued in the fourth quarter of 1954, especially to the United Kingdom, the continental OEEC countries, and Latin America. It partially offset the increases in U. S. surpluses on private current account with these areas, which were due mainly to a further expansion of U. S. exports, especially to continental Western Europe, where the increase was almost 35 per cent. This was attributable to the continued expansion of European demand, which for such items as coal and steel was outstripping European supplies, to an inferior crop which increased the demand for cereals, and to the further removal of restrictions on dollar imports.

The increase of U. S. imports in the first quarter of 1955, which was in part seasonal, favored mainly raw material exporting countries. Since U. S. exports to these countries began to fall, to some extent because of intensified restrictions, the U. S. current account surpluses with Latin America, the sterling area, and other primary producing countries declined. The reversal of the flow of private capital, however, affected all trading areas. The gold and dollar reserves of the Latin American countries fell, despite the improvement on current account, and the rate at which continental Western Europe as a whole earned gold and dollars from the United States was substantially reduced. On the other hand, a decline in the U. S. surplus on private current account with the sterling area, due chiefly to seasonally larger U. S. imports from the overseas sterling area, somewhat more than offset the reversal of the net movement of capital funds, and the sterling area received a small balance of gold and dollar funds from its transactions with the United States.

Canada

In Canada, as in the United States, there was a decline in economic activity which began in the second half of 1953. This was brought about mainly by a downward adjustment of production and inven-

TABLE 7. SUMMARY OF CANADIAN BALANCE OF PAYMENTS, 1953 AND 1954[1]

(In millions of Canadian dollars)

	1953	1954
Merchandise exports to		
United States	2,458	2,355
United Kingdom	656	660
All other countries	1,038	914
Total	4,152	3,929
Merchandise imports from		
United States	−3,046	−2,800
United Kingdom	−463	−391
All other countries	−701	−725
Total	−4,210	−3,916
Trade balance	− 58	13
Services and donations	−385	−444
Current balance	−443	−431
Direct investment in Canada	426	376
New issues of Canadian securities (net of retirements)	189	124
Other long-term capital	−94	−43
Repayment of loans to Government of Canada	87	72
Change in holdings abroad of Canadian dollars	−18	22
Other capital	−185	4
Balance on capital account	405	555
Change in official holdings of gold and foreign exchange (increase −)	38	−124

Source: Dominion Bureau of Statistics, *Quarterly Estimates of the Canadian Balance of International Payments* (Ottawa).

[1] Excluding military exports of goods and services provided under aid to NATO and corresponding grants. No sign indicates credit; minus sign indicates debit.

tories to declining fixed investment outlays, and was aggravated by a drop in farm production. The fall in gross national product was much the same in proportion in both countries. Despite the decline in U. S. activity, exports to the United States fell by only 4 per cent, being sustained by a growing demand for newsprint, nickel, and aluminum. Overseas demand for wheat fell, but other exports were well maintained. The value of Canada's total exports in 1954 fell by 6 per cent and of total imports by 7 per cent.

As in 1953 the current account deficit which was much the same as in the previous year was offset by a capital inflow (Table 7). The effects of these movements upon the Canadian balance of payments and their relations to fluctuations in the rate of exchange are examined in a later section of this Report.

Western Europe

Internal economic conditions in Western Europe during 1954 were, in general, highly prosperous. Compared with 1953, manufacturing output rose by 12 per cent or more in Austria and Western Germany, between 9 and 11 per cent in the Netherlands, France, and Italy, and between 7 and 8 per cent in the United Kingdom and Norway. The increases were largest in the chemical and engineering industries, and more modest in textiles, roughly in line with long-run developments since the war.

This expansion of domestic activity was responsible for a rise in European imports, especially from primary producing areas. In conjunction with increased trade liberalization within Europe, it also gave rise to a remarkable expansion of intra-European trade. As a result of other factors discussed below, Western Europe's trade balance showed a further improvement in 1954 over 1953 vis-à-vis all principal areas other than North America. The over-all external position as measured by the movement of gold and dollar reserves remained virtually unchanged.

The expansion of imports was supported not only by the high level of final demand and the extension of import liberalization, but

TABLE 8. OEEC EUROPEAN COUNTRIES
Volume of Production and Trade

1953 = 100

	1953		1954	
	1st half	2nd half	1st half	2nd half
Industrial production	99	101	107	110
Volume of total trade				
Imports	98	102	109	114
Exports	95	105	107	112
Volume of intra-OEEC trade	95	105	107	121
Unit values				
Imports	102	99	97	98
Exports	102	99	97	96

Source: *OEEC Statistical Bulletins, General Statistics* (Paris).

also by some restocking. Thus the increase in the volume of imports in 1954 generally exceeded that of domestic production, especially during the second half of the year (Table 8). The excess was larger in Germany and the Netherlands, where import liberalization and restocking were more pronounced; it was smaller in France, where better harvests made it possible to reduce food imports but imports of durable consumer goods increased in response to liberalization, and there was some restocking of industrial raw materials and semi-finished products. The United Kingdom was the only OEEC country whose imports increased proportionately less than domestic production. Stocks of staple foodstuffs, imports of which had been large in 1953, were reduced considerably; stocks of some imported raw materials appear to have fallen as well.

Exports of OEEC countries as a whole also increased sharply in 1954 under the stimulus of an improvement in the competitive position of European, and more especially of continental, exportable production and an increase in export financing made available by several countries. The increase in volume was sharpest in Germany (23 per cent), France (22 per cent), and the Netherlands (16 per cent). On the other hand, the volume of U. K. exports increased by only

6 per cent for the year as a whole; and in the fourth quarter, when trade was affected by the dock strike in October, it was actually less than in 1953.

In Western Europe a slight deterioration of the terms of trade began early in 1954; it amounted to less than 1 per cent when the two full years are compared. Improved productivity and intensified competition in home and export markets, which may have reduced profit margins, together with the delayed effects of previously falling raw material prices, caused export unit values to decline throughout the year. Unit values for total imports, which, despite an increase in the prices of imported foodstuffs, had been declining through the summer of 1954 (together with export prices), started to rise in the autumn.

OEEC trade in 1954 was influenced by liberalization measures, both among the OEEC countries themselves and in other directions, notably the dollar area. The expansion of intra-OEEC trade was considerably greater than that of West European trade with the rest of the world (Table 9). From the first quarter of 1953 to the last quarter of 1954, the volume of intra-OEEC trade grew by 38 per cent, that of exports to other destinations by 29 per cent, and that of imports from other sources by 15 per cent.

TABLE 9. OEEC EUROPEAN COUNTRIES
Value of Trade, Selected Areas
(In billions of U. S. dollars)

	Exports (f.o.b.)		Imports (c.i.f.)	
	1953	1954	1953	1954
Total	27.5	29.7	31.4	33.8
Intra-OEEC	13.5	15.0	13.6	15.0
Extra-OEEC	14.0	14.7	17.8	18.8
Trade with				
United States and Canada	2.7	2.4	4.2	4.4
Primary producers[1]	9.5	10.4	11.9	12.4

Source: *OEEC Statistical Bulletins, Foreign Trade*, Series I (Paris).

[1] Overseas sterling area, Latin America, non-sterling countries of the Middle East, Far East, and Africa, and continental dependencies.

Between January and December 1954, the percentage of intra-OEEC imports freed from quantitative restriction rose in France from 18 per cent to 65 per cent, although this was accompanied by the imposition of a compensatory tax on imports; in the United Kingdom the percentage rose from 75 per cent to 83 per cent. At the beginning of 1955, the OEEC decided to raise the trade liberalization target, from 75 per cent to 90 per cent; by April 1, 1955, the percentages for each of the 13 countries committed to the OEEC liberalization program had reached 75 per cent, 6 of them being as high as 90 per cent. In the expansion of intra-OEEC trade, however, the change in the composition of internal demand and production in OEEC countries was more important: production of such products as chemicals, machinery, and durable consumer goods, which figure largely in intra-European trade, expanded much faster than that of textiles, which require a relatively high proportion of materials of non-European origin. The greater competitiveness of European industry and increased output in European agriculture also help to account for the higher proportion of European imports drawn from European sources.

The trade balance of the OEEC European countries with the rest of the world deteriorated somewhat during the second half of 1954, as imports increased more rapidly than exports. For the year 1954 as a whole, the apparent trade deficit (i.e., imports, c.i.f., less exports, f.o.b.) was $300 million higher than in 1953 (Table 9).

This deterioration is more than fully accounted for by the increase of approximately $450 million in the deficit with the United States and Canada. The North American recession depressed OEEC exports, and the European boom, coupled with a significant relaxation of dollar import restrictions, increased OEEC imports. The magnitude of the effects of dollar import liberalization cannot, as yet, be exactly measured. They were probably greatest in Western Germany and the Netherlands. In Germany, the value of total imports was 20 per cent greater in 1954 than in 1953, and the value of imports from the United States rose by 35 per cent. In the Netherlands, the value of imports from the United States rose by some 40 per cent, while total imports increased by about 22 per cent. Most of these increases appear to have occurred after liberalization measures had been taken by these two countries.

The decline in Western Europe's trade with North America in 1954 was far more than offset by the expansion of its trade with the rest of the world. Excluding East-West trade, the volume of which is still small, and trade with Japan, which expanded in 1954 but is still comparatively unimportant for Western Europe, the value of Western Europe's imports from countries outside North America rose by over 6 per cent. But while continental Europe's imports from primary producing countries increased by over 7 per cent, the corresponding U. K. imports fell by 1 per cent. The difference can be explained partly by the more rapid expansion of industrial production in continental Europe (10 per cent) than in the United Kingdom (7 per cent), and partly by a substantial increase in continental imports of foodstuffs, which was not paralleled in the United Kingdom. The value of Western Europe's exports to these primary producing areas increased by as much as 9 per cent from 1953 to 1954, that of continental Europe by 12 per cent, and of the United Kingdom by 5 per cent.

The balance of payments of the United Kingdom is presented elsewhere in a summary of the balance of payments of the sterling area as a whole. That of continental Western Europe and dependencies is given in Table 10.

The decline of some $600 million in continental Western Europe's[3] balance on goods and services with the United States, which accompanied the U. S. recession, was offset by an increase of some $170 million in U. S. Government expenditures on goods and services overseas, a decline of over $300 million in the goods and services deficit with the sterling area, and a rise of over $200 million in the trade surplus with other parts of the world. Thus there was an apparent increase of some $60 million in the goods and services surplus with all areas. The amount of U. S. Government grants remained

[3] The following discussion and the estimates in Table 10 refer, with the exception of the data relating to transactions with the sterling area, to continental Western Europe and its dependencies as defined by the U. S. Department of Commerce, i.e., to continental OEEC countries plus Finland, Spain, and Yugoslavia.

TABLE 10. ESTIMATED BALANCE OF PAYMENTS OF CONTINENTAL WEST EUROPEAN COUNTRIES AND DEPENDENCIES WITH REST OF WORLD, 1953 AND 1954[1]

(In millions of U. S. dollars)

	1953		1954	
	1st half	2nd half	1st half	2nd half
I. Payments balances				
a. United States[2]				
Private: Goods and services	−153	−92	−403	−458
Capital	−113	−84	−35	−9
Government: Goods and services	453	553	565	610
Capital	−103	−16	−120	−1
Government nonmilitary grant aid	544	341	425	450
	628	702	432	592
b. Sterling area[3]				
Goods and services	−249	−137	−140	70
Capital	14	112	−84	−45
Sterling balances (increase −)	48	−3	—	−50
	−187	−28	−224	−25
c. All other countries (trade balance only)[4]	70	260	260	275
d. IBRD, net transactions[5]	30	−1	22	−55
e. Transactions not included above (including errors and omissions)[6]	−28	178	71	117
f. Total (a through e)	513	1,111	561	904
Goods and services (excluding government aid)	*121*	*584*	*282*	*497*
Identified capital	*−124*	*8*	*−217*	*−160*
Unidentified transactions	*−28*	*178*	*71*	*117*
U.S. Govt. nonmilitary grant aid	*544*	*341*	*425*	*450*
II. Reserves				
a. Change in official gold and dollar holdings[7]	475	1,055	495	1,095
b. Net position in EPU and IMF[8]	38	56	66	−191
c. Total	513	1,111	561	904

Sources: U. S. Department of Commerce, *Balance of Payments of the United States, 1919-1953* (Washington, 1954); "The First Quarter Balance of Payments," *Survey of Current Business* (Washington), June 1955, pp. 5-14; *United Kingdom Balance of Payments, 1946 to 1954* (Cmd. 9291 and 9430); *Direction of International Trade* (New York); *Federal Reserve Bulletin* (Washington); *International Financial Statistics* (Washington); and communication from the International Bank for Reconstruction and Development.

[1] Continental OEEC countries, Finland, Spain, and Yugoslavia, and dependencies unless otherwise indicated. No sign indicates credit; minus sign indicates debit.

[2] Excludes military transfers and military grants throughout. Private balances cover goods and services, excluding government aid and military expenditures on imports, but including private donations, private U. S. capital, and long-term foreign capital other than transactions in U. S. Government securities.

[3] See page 39.

roughly unchanged. The deterioration in the goods and services account vis-à-vis the United States was especially large in countries which had suffered from a decline in U. S. demand for their exports (France, Belgium) as well as in countries where dollar import liberalization had important effects (Netherlands, Germany). France and Italy were the main beneficiaries of the increase in U. S. Government military expenditures.

On identifiable capital account there appears to have been an increase, from $120 million in 1953 to $380 million in 1954, in the net outflow from continental Western Europe. The net outflow to the United States declined, but there was a swing of $350 million in capital movements, particularly on private account, vis-à-vis the United Kingdom (including the movement of sterling balances), a net inflow to continental Europe in 1953 being succeeded by a net outflow in 1954.

The rate of reserve accumulation (excluding bilateral and sterling balances) in continental Europe appears to have declined slightly, from over $1,600 million in 1953 to over $1,450 million in 1954. The improvement was greatest in France. In Italy a decline in 1953 was followed by an increase in 1954. West German and Netherlands reserves continued to rise in 1954 though at a slower rate. The reserves of Belgium and the Scandinavian countries declined.

Reported official reserves in France increased by almost $500 million in 1954. The volume of exports rose by some 22 per cent and their value by 14 per cent, owing to an improvement in the supply of agricultural products and some improvement in the French competitive export position. About two thirds of French exports, however, were still subsidized in various forms. The value of imports was

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Footnotes to Table 10, continued:

[3] Data cover transactions with continental OEEC countries and dependencies only.

[4] Estimated trade balance of West European countries combined with areas other than the sterling area and the United States.

[5] Net movement of funds, i.e., subscriptions, loan disbursements, repayments, purchase of IBRD bonds, payments on purchases of borrowers' obligations, and change in IBRD holdings of West European currencies.

[6] Residual; equals line II.c less the sum of lines I.a to I.d.

[7] Estimated changes in official gold and dollar holdings. Basic data from *International Financial Statistics* and Board of Governors of the Federal Reserve System.

[8] For EPU, change in balance of credit extended over credit received; for IMF, paid subscriptions less IMF holdings of member currencies.

5 per cent larger than in 1953. With a reduction in the trade deficit, continued large receipts ($470 million) from foreign military expenditures in the franc area, and further improvement in the deficit on other invisibles, the franc area achieved a goods and services surplus of almost $100 million, compared with a deficit of almost $200 million in 1953. At the same time, substantial U. S. Government grants and loans (some $500 million) were received, largely in connection with war expenditures in Indochina.

The reduction in the rate of reserve accumulation in Western Germany was due mainly to an increase, from about $50 million to about $315 million, in the net adverse balance in respect of capital transactions and interest payments (which include payments under the London debt agreement and payments out of liberalized capital account). Despite an increase of 25 per cent in the volume of Western Germany's imports, the export surplus rose from $614 million in 1953 to $662 million in 1954. The improvement in the trade balance was concentrated largely on EPU countries. There was a deterioration in the balance both with the United States—imports from which were swollen by liberalization—and with bilateral agreement countries, where the position was influenced by the curtailment of bilateral credits.

European Payments Union

The arrangements made in June 1954 at the time of the renewal of EPU for another year produced significant changes in the EPU positions of several countries. At that time the debtor countries, with one exception, concluded bilateral arrangements with creditor countries, providing for the regular repayment or funding of a large part of their outstanding debts. The total repaid immediately by the debtors amounted to $224 million, an additional $634 million being left for settlement in monthly or quarterly installments. Creditors further received a total of $130 million from the Union's own convertible assets. These payments by the debtors and by the Union restored a considerable part of the settlement facilities within the Union. Moreover, the creditor countries agreed to increase their lending obligations by the amounts agreed to be amortized bilaterally, and by the payments received from the convertible assets of the Union.

The decision for the renewal of the EPU also provided for a modification of the settlement rules according to which surpluses and deficits were to be settled, within the agreed settlement facilities, 50 per cent in gold and 50 per cent in credit. Previously, the average gold credit settlement ratio within the quotas had been 40:60.

The settlement facilities as restored by the arrangements associated with the renewal of the EPU proved adequate during the first ten months of the fiscal year 1954-55. Moreover, additional credit facilities were restored in January 1955, through a voluntary repayment of $80 million by France to the EPU, which in turn apportioned this amount among the creditor countries. Turkey remained a "post-quota" debtor, but by the end of April 1955 no other country had exceeded its upper credit limit, although Denmark, Italy, and Norway were fairly close to it.

In June 1955 the OEEC Council of Ministers decided in principle to renew EPU for another year, subject to agreement on certain outstanding issues, and with the proviso that the gold credit ratio for settling monthly surpluses and deficits was to be increased as of August 1, 1955 to 75 per cent in gold and 25 per cent in credit.

Japan

Under the influence of a policy of disinflation inaugurated late in 1953, the increase in Japanese industrial production in 1954 (7 per cent) was considerably smaller than the increase (22 per cent) from 1952 to 1953. As a result of the leveling off of the rate of expansion of industrial production and of the effects upon consumption of Japan's contractive monetary policy, the value of imports, on a payments basis, fell by some 7 per cent. At the same time, the value of exports rose by almost one third, and the Japanese trade deficit was cut by more than half, to $420 million. The balance of payments moved from an over-all deficit of almost $200 million in 1953 to a surplus of $100 million in 1954, though there was also an increase in liabilities ("usance credits"), which was not much less than $100 million. Receipts from Japan's Government transactions, including expenditures by U. N. forces in Korea and by U. S. security forces in Japan, were less than in 1953 by more than $160 million.

Japanese exports to the sterling area, stimulated by the Anglo-Japanese Agreement of January 1954 (which reduced quantitative restrictions on Japanese exports to the United Kingdom and its colonies) and by lowered restrictions in independent overseas sterling area countries, increased by about 55 per cent in 1954. Shipments to Latin America nearly doubled; those to the continental OEEC countries rose by about 12 per cent; and those to the United States expanded by almost 22 per cent, despite the U. S. recession. Exports to neighboring Far Eastern non-sterling countries increased in the first half of 1954, but fell in the second half as exports to Indonesia were reduced in order to check any further increase in "frozen credits."

Apart from the decline of domestic consumption and the fall in export prices, this remarkable increase in exports derived some of its impetus from an extension of the "link system" (the association of especially profitable imports with high-cost exports) and from other methods of providing finance on favorable conditions for exports. The link system has now been abolished, except for transactions directly related to physical production processes.

The fall in total imports was largely the result of the restrictive monetary policy which was directed mainly to import financing and to a reduction of inventory accumulations which was associated with a temporary slackness in domestic output and a decline in domestic consumption. The sharp reduction in wool imports, resulting from a decline in domestic consumption, and the shift of cotton imports from sterling area sources to the United States, where prices had become lower and U. S. cotton enjoyed the support of export credits, were the factors mainly responsible for a decline of almost 30 per cent in imports from the sterling area. There was a rise in imports both from dollar sources and from Latin America, where they were supported by newly concluded trade agreements with Argentina and Brazil.

Primary Producing Countries

The export earnings of primary producing countries in 1954 were greater than in 1953 by some 2 to 3 per cent (Table 11).[4] The most important factors affecting these earnings were the relatively low U. S. demand for industrial raw materials, rising import demand in

TABLE 11. EXPORTS, IMPORTS, AND TRADE BALANCES OF PRIMARY PRODUCING AREAS, 1953 AND 1954

(Exports f.o.b., imports c.i.f.; in billions of U. S. dollars)

	1953	1954
Latin America		
Exports	7.6	7.8
Imports	6.5	7.1
Balance	+1.1	+0.7
Overseas sterling area		
Exports	10.9	11.0
Imports	10.6	11.2
Balance	+0.3	−0.2
Continental OEEC dependencies		
Exports	2.9	3.1
Imports	3.9	4.1
Balance	−1.0	−1.0
Other[1]		
Exports	3.5	3.6
Imports	4.1	4.0
Balance	−0.6	−0.4
Total		
Exports	24.9	25.5
Imports	25.1	26.4
Balance	−0.2	−0.9

Source: *International Financial Statistics* (Washington).
[1] Mainly non-sterling area countries in the Middle East, Far East, and Africa.

Western Europe, and sharp movements in the prices of coffee, tea, and cocoa. Other significant features included the steady increase in demand from all quarters for imports of crude oil, and the expansion in some countries of import-saving staple food production.

[4] Slight discrepancies such as appear between the export earnings of primary producing areas, shown in Table 11, and the imports from these areas by the major industrial countries, shown in Table 12, are to be expected in view of (a) the inclusion in Table 11 of the intratrade of primary producing countries, (b) the time lag between exports and imports, and (c) statistical inaccuracies.

The receipts of primary producing countries (excluding Canada) from their exports to the major industrial countries changed very little between 1953 and 1954, the expansion in purchases by OEEC European countries being slightly greater than the decline in purchases by the United States and Japan (Table 12).

TABLE 12. CHANGES BETWEEN 1953 AND 1954 IN EXPENDITURES OF MAJOR INDUSTRIAL AREAS ON IMPORTS F.O.B. FROM PRIMARY PRODUCERS

(Value figures in millions of U. S. dollars)

Exporting Area	Importing Area: OEEC European countries	United States	Japan	Total Change	Total Change as Per Cent of 1953 Imports
Latin America	+215	−155	+40	+100	2
Overseas sterling area	+135	−135	−140	−140	2
Continental OEEC dependencies	+145	+60	−10	+195	8.8
Other[1]	+90	−110	+25	+5	2
Total change	+585	−340	−85	+160	
Total change as per cent of 1953 imports	5.7	5.9	6.8		1.0

Sources: *Direction of International Trade* (New York); *OEEC Statistical Bulletins, Foreign Trade*, Series I and II (Paris); Economic Commission for Europe, *Economic Survey of Europe in 1954* (Geneva, 1955).

[1] Mainly non-sterling area countries in the Middle East, Far East, and Africa.

The increases in European expenditures on imports from the primary producing areas did not compensate exactly in each area for declines in U. S. expenditures. The value of the imports of the major industrial areas from the overseas sterling area declined in part because of a diversion of Japanese imports from sterling area to other sources of supply, but more because of special factors affecting specific export products; there was, however, a substantial increase in the value of imports from the continental European dependencies and a moderate increase in imports from Latin America. Much of the additional European import expenditures was for similar reasons directed toward countries whose sales to the United States declined little, if at all; other primary producers suffered losses in all markets.

Both the earnings of primary producers as a group and of particular regions and countries were determined largely by the way in which the prices of primary products responded to the influences mentioned above. Price developments were, on the whole, favorable for primary producers. Industrial raw material prices, on the average, remained virtually the same as in 1953, the weakening of prices for textile raw materials (which was most pronounced for wool toward the end of the year) being offset by firmer prices for metals and rubber. Throughout the year, prices of staple foodstuffs, notably rice and wheat, were lower than in 1953, while sugar prices recovered slightly in the last quarter. The most pronounced price movements—sharp rise and subsequent decline—were those for coffee, cocoa, and tea. Coffee prices reached their peak in the second quarter and continued to decline thereafter; the break in cocoa prices came in the late summer; while tea prices continued to rise through the end of the year and then turned sharply downward early in 1955. At the same time there was a slight weakening of the prices of manufactured goods. While market prices do not reflect precisely movements in the export and import unit values of primary producing countries, the general price trend suggests that the terms of trade of these countries have probably improved somewhat.

The total import expenditures of primary producing areas rose between the two years by $1.3 billion, or twice the increase in their export earnings. Since import prices probably declined slightly (about 1 per cent), the volume of imports probably expanded by about 6 per cent. Imports increased for all areas generally, except the Far Eastern, Middle Eastern, and African countries included under "Others" in Table 11. This group includes Indonesia, whose imports were cut sharply in 1954. The value of the imports of the continental OEEC dependencies rose by the same substantial amount as the value of their exports. Nearly one third of their additional exports were directed to the United States, but most of their additional imports came from the metropolitan areas, and their imports from the United States were unchanged. The imports of Latin

America and of the overseas sterling area in general, on the other hand, rose considerably more than their exports; for the overseas sterling area a small trade surplus in 1953 was transformed into a deficit in 1954. In each region the increase in imports was concentrated in a small number of countries, where the continued rise was in part at least a delayed reaction to an earlier increase in export earnings.

Several factors made it possible for primary producers to finance an expansion of some 5 per cent in their total import expenditures, and of 9 per cent in their expenditures on imports from industrial countries. First was the sustaining effect of the expansion of European demand for primary products; also additional capital imports were obtained, mainly through an increased outflow from the United Kingdom to the rest of the sterling area, and from the United States to Latin America. The accumulation of reserves which had gone on in 1953 also ceased and, particularly in Latin America, Australia, and New Zealand, previous accumulations were drawn on to a considerable extent.

Latin America

The export earnings of Latin American countries whose main exports are cocoa, coffee, or petroleum were larger in 1954 than in 1953. The earnings of countries that export mainly cotton or nonferrous metals were, in most cases, much the same as in 1953, while the export receipts of Argentina, Cuba, and Uruguay, which export meat, sugar, wheat, or wool, declined (see Table 13). For Latin America as a whole, export earnings increased by some 3 per cent.

The increase in receipts from cocoa, coffee, and petroleum accrued mainly in the first half of the year. Developments in the second half of 1954 were affected by the sharp cut in coffee exports.

The effects of the weakening of U. S. import demand were felt particularly by countries exporting mainly nonferrous metals and cotton, and especially in the first half of 1954. These effects were mitigated but not fully offset by higher demand in Europe. Increased U. S. stockpiling demand and the revival of U. S. industrial activity

TABLE 13. VALUE OF EXPORTS OF MAJOR LATIN AMERICAN COUNTRIES, 1953 AND 1954

(In millions of U. S. dollars)

	1953	1954	Change
Exporters of cocoa, coffee, and petroleum			
Brazil	1,539	1,562	+23
Colombia	596	657	+61
Venezuela	1,445	1,698	+253
Others[1]	534	631	+97
Total	4,114	4,548	+434
Exporters of cotton and nonferrous metals			
Bolivia	125	100	−25
Chile	409	402	−7
Mexico	536	562	+26
Peru	218	245	+27
Total	1,288	1,309	+21
Exporters of meat, sugar, wheat, and wool			
Argentina	1,148	1,085	−63
Cuba	669	539	−130
Uruguay	270	249	−21
Total	2,087	1,873	−214
All others[2]	111	120	+9
Total Latin America	7,600	7,850	+250

Source: *International Financial Statistics* (Washington).

[1] Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, and Nicaragua.

[2] Honduras, Panama, and Paraguay.

were largely responsible for the improvement in the position of metal and cotton suppliers in the second half of the year.

The export earnings of Argentina, Cuba, and Uruguay were affected by weaker demand and lower prices for their products. The sharp decline in the exports of Argentina and Uruguay to the United States, however, was due mainly to the fact that U. S. purchases in 1953 of large wool stocks accumulated in the two countries were followed by only moderate buying in 1954. Similarly, Cuban exports in 1953 had included large shipments of sugar to the United Kingdom sold under a special agreement from surplus stocks; as a result, the 1954 import requirements of the United Kingdom were reduced.

The value of Latin American imports in 1954 is estimated to have been greater than in 1953 by more than 10 per cent. This, in conjunction with the increase of 3 per cent in export earnings, resulted in a deterioration of about $435 million in the Latin American trade balance. The decline in Latin American exports to the United States and the increase in Latin American imports from the United States were together almost sufficient to account for this deterioration (see Table 14). Both exports to and imports from countries other than the United States rose, and the balance with these countries showed very little change.

Latin America's balance of payments vis-à-vis the United States did not deteriorate until the latter part of 1954 when exports were affected by both the comparatively low demand for raw materials and the sharp cut in U. S. coffee purchases, while imports from the United States continued their steady upward movement. The Latin American deficit on goods and services with the United States, which had amounted to some $350 million in 1953, and practically disappeared with the coffee boom in the first half of 1954, increased again in the second half of 1954 to an annual rate of $1 billion. At the same time, however, there was an inflow of capital, mainly short-term funds, which exceeded the inflow in 1953 by some $300 million. In 1953 the liquidation of short-term private indebtedness to the United States, particularly by Brazil, had been made possible by an extension of Export-Import Bank loans, but in the second half of 1954 there was a renewed accumulation of short-term indebtedness.

The deterioration in Latin America's trade and payments position was concentrated on a few of the larger countries (see Table 15). There was a marked worsening in both the trade balances and the reserve positions of Argentina, Cuba, and Uruguay, whose export earnings declined throughout 1954. The decline in the Cuban trade surplus resulted entirely from lower export earnings. In Argentina and Uruguay, however, imports continued to increase, following after an interval the sharp rise in export earnings and reserves in

TABLE 14. SUMMARY OF LATIN AMERICAN EXTERNAL TRANSACTIONS, 1953 AND 1954[1]

(In millions of U. S. dollars)

	1953			1954		
	Total	United States[2]	Other[3]	Total	United States[2]	Other[3]
Exports f.o.b.[4]	7,600	3,570	4,030	7,850	3,430	4,420
Imports c.i.f.[4]	−6,540	−3,210	−3,330	−7,230	−3,470	−3,760
Trade balance	1,060	360	700	620	−40	660
Services and capital (net)[5]	−695	−255	−440	−770	−55	−715
Change in official gold and foreign exchange holdings (increase —)[6]	−365	−210	−155	150	−30	180
Multilateral settlements	—	105	−105	—	125	−125

Sources: *International Financial Statistics* (Washington); "The United States Balance of Payments in 1954," *Survey of Current Business* (Washington), March 1955, pp. 9-13.

[1] No sign indicates credit; minus sign indicates debit.

[2] Data on trade and multilateral settlements based on U. S. balance of payments with imports (U. S. exports) adjusted to include freight.

[3] Residuals of two preceding columns.

[4] Includes intra-Latin American trade, estimated at $600-700 million in each year.

[5] Each figure is a residual of other figures in the column.

[6] Data on total changes based on *IFS* figures, adjusted to include net IMF position. Data in U. S. columns: acquisition of gold from United States plus *IFS* estimate of increase in official dollar holdings.

TABLE 15. TRADE BALANCE AND RESERVE MOVEMENT OF SELECTED LATIN AMERICAN COUNTRIES, 1953 AND 1954

(In millions of U. S. dollars)

Country	1953 Trade Balance	1953 Reserve Movement	1954 Trade Balance	1954 Reserve Movement
Argentina	286	248	−3	23
Brazil	220	73	−72	−121
Colombia	49	35	6	43
Cuba	140	33	24	−27
Mexico	−275	−32	−161	−17
Peru	−76	−7	−5	7
Uruguay[1]	77	18	−23	−56
Venezuela	549	43	769	−2

Source: *International Financial Statistics* (Washington).

[1] Reserve changes refer to gold and net foreign exchange.

1953; in neither country was the deterioration sufficient to lead to payments difficulties. Argentina actually added a little to reserves in 1954.

The situations in Brazil and Colombia, whose problems were associated largely with fluctuations in earnings from coffee exports, and in Chile and Peru are examined elsewhere in this Report. Exporters of coffee and cocoa, other than Brazil and Colombia, maintained or improved their trade and payments positions in 1954. Payments developments in Bolivia were affected by reduced tin exports and continued inflationary pressures. Reserves were halved in the course of 1954, and at the end of the year were equal to only some 10 per cent of normal imports. The decline continued in the early part of 1955. The Mexican reserve position, which was under severe strain in the first half of 1954, aggravated by capital outflows, improved later in the year. The devaluation in April 1954 and, perhaps more important, favorable crops which increased exportable surpluses of cotton and reduced the need for food imports resulted in a considerable improvement in the trade balance, a reflux of funds, and a recovery of reserves.

Overseas Sterling Area

The total export earnings of the overseas sterling area in 1954 were about $150-200 million, or roughly 1½ per cent, greater than in

TABLE 16. EXPORTS OF OVERSEAS STERLING AREA COUNTRIES, 1953 AND 1954

(In millions of U. S. dollars)

	1953	1954	Change
Exporters of cocoa, coffee, petroleum, and tea			
Iraq	407	436	+29
Kuwait	650	720	+70
Other exporters of petroleum[1]	454	502	+48
British East and West Africa[2]	875	1,040	+165
Ceylon	329	381	+52
India	1,116	1,182	+66
Total	3,831	4,261	+430
Exporters of nonferrous metals and rubber			
Malaya and Singapore	987	1,016	+29
Federation of Rhodesia and Nyasaland	400	411	+11
Total	1,387	1,427	+40
Exporters of grain, livestock products, and textile fibers			
Australia	1,976	1,662	−314
Burma	238	240	+2
Eire	319	322	+3
New Zealand	659	683	+24
Pakistan	439	359	−80
Union of South Africa	825	922	+97
Total	4,456	4,188	−268
All others[3]	1,201	1,179	−22
Total	10,875	11,055	+180

Source: *International Financial Statistics* (Washington). The *IFS* figures for the Federation of Rhodesia and Nyasaland and those on total trade for 1953 have been corrected to exclude the intra-trade of the three federated countries.

[1] Bahrein, Brunei, Qatar, Sarawak, Trinidad and Tobago, and Trucial Oman.

[2] Gambia, Gold Coast, Kenya, Nigeria, Sierra Leone, Tanganyika, and Uganda.

[3] Including British West Indies (except Trinidad and Tobago), Hong Kong, and South West Africa.

1953 (Table 16). Earnings from exports of petroleum, coffee, cocoa, and tea increased substantially, and proceeds from nonferrous metal and rubber exports also rose. Exports of countries exporting mainly textile fibers, wheat, and meat declined throughout the year. The impact of the decline in demand and in prices for wool was felt most severely by Australia, and was further aggravated by reduced demand and prices for wheat. The decline in South African earnings from wool exports was more than offset by increased sales of uranium and of some foodstuffs. New Zealand, whose wool clip consists preponderantly of the coarser grades, which were much less affected by the weakening of demand, maintained the volume and value of wool exports that had been realized in 1953. Burma's export receipts were maintained, as the effects of a sharp reduction in prices of rice exports were offset by a greatly increased volume.

The imports of the overseas sterling area were greater than in 1953 by about $550 million, or well over 5 per cent. Since export receipts rose by only $150-200 million, there was a deterioration of nearly $400 million in the area's trade balance. This deterioration was concentrated in a few of the independent sterling area countries; the trade balance of the dependent territories showed a marked improvement, mainly because of an increase of exports.

The deterioration in the overseas sterling area's trade balance was more pronounced in trade with non-sterling countries, particularly Japan and Indonesia, than in trade with the United Kingdom. Earnings from exports to North America declined (Table 17) as a result of the recession in the United States; increased import restrictions imposed by Indonesia and the cessation of inventory accumulation in Japan reduced exports to these two countries. Furthermore, there was a withdrawal in Japan of special sterling import financing facilities, which had been extended in an earlier period when Japan had considered its sterling balances too high. Except for Australia, most sterling area countries increased their earnings in the United Kingdom and continental OEEC countries.

Overseas sterling area imports from continental OEEC countries and Japan generally increased, reflecting the rising competitive power of these countries and, for Japan, the relaxation of import restrictions in the overseas sterling area which followed the Anglo-Japanese Agreement of January 1954. Imports from the dollar area changed little save for the virtual disappearance of abnormal food imports by India and Pakistan. Imports from the United Kingdom were well maintained in Australia and New Zealand, but in the dependent areas they were affected by the diminution of the discrimination previously applied against imports from Japan and the dollar area.

TABLE 17. CHANGES FROM 1953 TO 1954 IN EXPORTS AND IMPORTS OF SELECTED OVERSEAS STERLING AREA COUNTRIES, BY MAIN REGIONS

(*In millions of U. S. dollars*)

	Australia	New Zealand	India	Ceylon	Pakistan	Malaya and Singapore	Gold Coast and Nigeria
Exports to							
Sterling area	−177	+17	+78	+35	−14	+3	+52
United States and Canada	−17	−13	−23	−3	−6	−5	−11
Continental OEEC[1]	−74	+11	+17	−13	−22	+42	+83
Japan	−54	−5	−22	−1	−55	+3	—
Rest of world	−6	+14	+3	+13	+17	−13	+33
Total	−328	+24	+53	+31	−80	+30	+157
Imports from							
Sterling area	+208	+101	+57	−44	+36	−67	−23
United States and Canada	+31	+21	−63	−4	−100	+3	+2
Continental OEEC[1]	+74	+17	+15	+1	+20	+10	+8
Japan	+18	+2	+8	−2	+17	+4	+14
Rest of world	+62	−2	+21	+4	+2	+18	+15
Total	+393	+139	+38	−45	−25	−32	+16

Source: *Direction of International Trade* (New York). Figures may differ slightly from those in other tables because of slight discrepancies in coverage of data for which geographical distribution is available.

[1] Including dependent overseas territories.

There was an all round deterioration in Australia's balance of trade in 1954, resulting from a combination of reduced export prices, high pressure of internal demand, and the delayed effects of import liberalization. While export earnings from butter and meat were well maintained, there were serious declines in wool, grains, and metals, and total exports yielded 15 per cent less than in 1953. As a result of progressive relaxation of import restrictions together with a strong pressure of internal demand, imports increased throughout 1953 and 1954, import expenditures in 1954 being some 20 per cent greater than in 1953. The trade balance, which had shown a substantial surplus in 1953, was in deficit in 1954, part being financed by $53 million from IBRD loans and the remainder, $230 million, by drawing on reserves. There was some tightening of import restrictions in October 1954, and more severe measures were imposed five months later.

In New Zealand, export receipts increased but expenditures on imports, mainly from the United Kingdom, rose proportionately more, by 28 per cent, and for much the same reasons as in Australia. There was a considerable drain on reserves in the seasonally adverse second half of the year.

Export proceeds in the Union of South Africa continued to expand in 1954, mainly on account of expanded sales of uranium, maize, and sugar. Gold production and gold sales also increased and, despite a modest rise in imports, the external deficit on current account, which has been usual in South Africa, declined. Private capital inflows, both recorded and unrecorded, appear to have been considerably higher than in 1953, and may have amounted to $150 million. The recovery in South Africa's reserves, which had begun after mid-1953, continued throughout 1954.

For India, also, 1954 was a fairly favorable year both internally and externally. Exports to the United States and Japan declined, but the effects of this decline were more than offset, especially toward the end of the year, by increased sales of tea at favorable prices to the sterling area and to Western Europe. Exports of textile manufactures, notably to the United Kingdom, were considerably greater than in 1953. There was a substantial improvement in domestic food production, and the decline in food imports permitted a substantial increase in purchases of raw materials and capital goods.

The decline of almost 20 per cent in Pakistan's export earnings in 1954 was due mainly to reduced sales of cotton to Japan and other countries. Some liquidation of stocks in 1953 and increased consumption by the rapidly expanding domestic industry led to a decline in exportable supplies in 1954, and prices were kept artificially high. Total export earnings recovered in the last quarter of 1954, mainly on account of larger exports of jute. The conclusion of a trade agreement with Japan late in 1954 and the gradual lowering of export prices made for some recovery of cotton shipments early in 1955. The slight reduction in the value of imports in 1954 was due entirely to improved domestic food production after two years of severe crop failures. The emergency food imports in 1953 had, however, largely been financed from U. S. aid. Excluding government imports, consisting chiefly of foodstuffs received under aid, the value of imports was 40 per cent greater in 1954 than in 1953, largely because of a considerable increase in imports of capital goods.

Other Primary Producing Countries

Trade movements in several other primary producing countries are shown in Table 18. (The changes in official reserves recorded in the same table were also affected in each case by movements in other items of the balance of payments.) The trade and payments position of Indonesia improved considerably in 1954. Throughout 1953 and during the first part of 1954 Indonesian reserves had declined sharply. Falling demand and low prices for rubber adversely affected export earnings while imports remained relatively high. As a result of drastic measures taken in May 1954, however, imports of nonessential consumer goods were reduced sharply in the second half of the year. This cut in imports and some increase in export earnings, as demand for rubber recovered, caused an improvement in the trade balance. Reserves, which had declined to a critically low point, rose steadily throughout the second half of the year. For 1954 as a whole, official holdings showed an increase, but there was some worsening of the net reserve position. In the early months of 1955 there was some further recovery of reserves.

TABLE 18. TRADE BALANCE AND CHANGE IN OFFICIAL RESERVES OF SELECTED PRIMARY PRODUCING COUNTRIES, 1953 AND 1954

(In millions of U. S. dollars)

Country	Exports f.o.b.	Imports c.i.f.	Trade Balance	Change in Official Reserves
Egypt				
1953	394	503	−109	−24
1954	397	459	−62	+4
Indonesia				
1953	820	753	+67	−102
1954	856	629	+227	+36
Philippines				
1953	392	501	−109	+4
1954	405	541	−136	−33
Thailand				
1953	323	336	−13	−50
1954	271	313	−42	−29

Source: *International Financial Statistics* (Washington).

While the trade of the Philippines with the United States declined in 1954, the effects of this reduction were more than offset by an increased volume of exports, particularly of coconut products, to other markets, mainly continental Western Europe and Japan. Imports, however, rose more than exports and, as the trade balance worsened, reserves also declined. Developments in Thailand are described in Chapter VIII.

The export earnings of Egypt in 1954 were much the same as in 1953. Higher prices for all types of Egyptian cotton compensated for a reduction in volume. The decline in imports was due to increased domestic production of wheat and sugar.

Disposal of Agricultural Surpluses

The governments of several primary producing countries have expressed concern during the last year lest the U. S. program for the disposal abroad of agricultural surpluses might disrupt the pattern of their agricultural trade. In connection with the legislation described below, the President of the United States has stated that U. S. farm products will be offered at competitive prices, but that the United States will not use these surpluses to impair the traditional competitive position of friendly countries by disrupting world prices of agricultural commodities. He added that emphasis would be placed on the utilization of agricultural surpluses to increase consumption in those areas where there is demonstrable underconsumption and where practical opportunities for increased consumption can be developed in a manner designed to stimulate economic development.

In part because of the reduced dependence of other countries upon North American food supplies, there has been a large increase during the past two years in U. S. Government-held stocks of farm commodities under the Government's price program. The value of these stocks, which amounted to $2.6 billion at the end of 1953, had risen by more than 60 per cent, to $4.2 billion, by the end of 1954. It has since declined only slightly, and intensified efforts have been made to dispose of these surpluses.

In the summer of 1954, two Congressional Acts were passed with the purpose of disposing of part of these surplus stocks abroad. The Agricultural Trade Development and Assistance Act provided for the sale over a three-year period of $700 million worth of surpluses for foreign currencies. The Act also authorized gifts of surpluses to the extent of $300 million for famine relief abroad. In addition, the Mutual Security Act of 1954 provided for the sale of a minimum of $350 million worth of surpluses. The total available under these acts for financing surplus disposal was therefore at least $1,350 million.

At the end of April 1955, agreements had been concluded for the disposal of about $525 million worth of commodities, mostly cotton and wheat. Agreements for disposal under the Mutual Security Act have exceeded the minimum provided in that Act; at the end of April, however, less than one fourth of the financing authorized under the Agricultural Trade Development and Assistance Act had been utilized. The restrictions imposed upon disposals under the Act probably have limited the operation of the program to some extent.

Sterling Area

The outstanding feature in the development of the sterling area's balance of payments from 1953 to 1954 was the deterioration, concentrated in the second half of 1954, in the current account balances with non-sterling countries of both the United Kingdom and the overseas countries of the area. This was apparently offset to some extent by a considerable increase in net capital inflow, especially to the United Kingdom (see Table 19), much of which is, however, unidentified.

TABLE 19. SUMMARY OF STERLING AREA BALANCE OF PAYMENTS WITH NON-STERLING COUNTRIES, 1953 AND 1954

(In millions of pounds sterling)

	1953[1]	1954[1]	Change
Current account	288	−35	−323
United Kingdom	44	−109	−153
Overseas sterling area[2]	244	74	−170
Investment account	12	189	+177
United Kingdom	−55	116	+171
Overseas sterling area[3]	67	73	+6
Change in sterling liabilities (other than to IMF)	17	85	+68
Financing accounts	−317	−239	+78
Change in U. K. non-dollar and EPU position	9	−81	−90
Change in net IMF position[4]	−60	−65	−5
Change in gold and dollar reserves	−266	−93	+173
United Kingdom	*−240*	*−87*	*+153*
Overseas sterling area[5]	*−26*	*−6*	*+20*

Sources: *United Kingdom Balance of Payments, 1946 to 1954*, No. 2 (Cmd. 9430); *International Financial Statistics* (Washington); *Survey of Current Business* (Washington), March 1955, pp. 9-13; and communication from International Bank for Reconstruction and Development.

[1] No sign indicates credit; minus sign indicates debit.

[2] Estimated as the difference between inter-area transfers with overseas sterling area (Cmd. 9430), plus change in overseas sterling area official gold and dollar holdings (*IFS*), plus change in net IMF position of overseas sterling area (*IFS*), and net capital movements to overseas sterling area from United States and IBRD, as described in footnote 3.

[3] Sum of net capital (private and government) movement to overseas sterling area from United States (U. S. balance of payments data) and net movement to overseas sterling area from IBRD (i.e., net amounts of subscriptions to IBRD, IBRD loan disbursements, repayments to IBRD).

[4] United Kingdom: −£56 million (1953) and −£40 million (1954), from Cmd. 9430. Overseas sterling area: −£4 million (1953) and −£25 million (1954), from *IFS*.

[5] From reserve statistics published in *IFS*.

Reference is made in other parts of this Report to the more general aspects of the trade both of the United Kingdom and of the overseas sterling area. The value of exports from the United Kingdom to non-sterling countries was much the same in 1954 as in 1953, while exports from the overseas sterling area declined slightly; exports from the sterling area as a whole to non-sterling destinations fell by about £45 million. On the other hand, U. K. imports from non-sterling sources were greater than in 1953 by some 7.5 per cent, and, partly because of a substantial reduction of quantitative restrictions, the overseas sterling area also increased its non-sterling imports, especially those from continental Europe and Japan. For the sterling area as a whole, imports from non-sterling countries increased by some £130 million. There was thus a deterioration of some £175 million ($490 million) in the trade balance of the area.

There was also some decline in 1954 in sterling area net receipts from transactions on account of invisibles, while defense aid, at £50 million, was about one half of what it had been in the previous year. As a result, the current account balance with non-sterling countries changed from a surplus of £290 million in 1953 to a deficit of £35 million in 1954. Practically all of the deterioration of about £325 million ($910 million) was concentrated in the second half of the year, when the current balance was less favorable than in the second half of 1953 by almost £270 million.

This weakening of the sterling area current account was not fully reflected in reserves (including the net position vis-à-vis the EPU and the Fund) which, over the year as a whole, continued to rise though at a slower rate than in 1953. This was largely due to an increase in the net inflow on investment account from non-sterling countries into the United Kingdom, together with some increase in sterling liabilities. Not all of this net capital inflow can be clearly identified. There were, however, considerable official repayments of debt by continental countries, especially the Netherlands, which on total were almost as large as the U. K. repayments of official debts to Canada and the United States. There was also, especially in the last quarter of the year, an inflow of short-term capital from the United States and Canada.

Part of the increased inflow of capital into the United Kingdom in 1954 took the form of an increased rate of accumulation of sterling balances by non-sterling countries. This increase was particularly marked in non-sterling countries in the Far East and the Middle East, whose over-all balance of payments improved markedly in 1954. The sterling holdings of non-dollar Latin American countries declined.

The weakness in the balance of payments of the sterling area in 1954 did not become evident until the second half of the year, when there was a more than seasonal deterioration in the current account balance both of the United Kingdom and of the overseas sterling area with the non-sterling world. This deterioration was attributable to an increase in imports toward the end of the year. Non-sterling countries accumulated sterling balances during that period, and there was an increased inflow of capital in other forms to the United Kingdom. However, the reserves of the area as a whole (including the net IMF and EPU positions), which had increased by £228 million ($638 million) in the first half of the year, rose by only £10 million ($28 million) in the second half.

Concurrently with the decrease in the payments surplus of the sterling area in the second half of 1954, the dollar exchange rate for transferable sterling in foreign free markets fell from the high level which had prevailed in the spring of the year. There were several reasons for this decline. These included increased facilities for selling transferable sterling in free markets, which resulted from the extension of automatic transferability in March 1954; the cessation of anticipations of early convertibility which had been prevalent in the first half of the year; and the increased supply of transferable sterling becoming available in certain parts of the world. The increased discount on transferable sterling (a decline shared by other EPU currencies) provided a stimulus in the last months of 1954 and the opening months of 1955 to commodity switch operations such as involved losses of dollar export earnings for the sterling area.

Partly as a result of these developments, countermeasures were taken by the U. K. authorities in January and February 1955. There were two successive increases in the bank rate, and other measures were also taken to curtail installment credit. In the first three months of 1955, U. K. reserves of gold and dollars fell by $95 million, to $2,667 million. Partly in response to seasonal influences, there was a rise in April of $19 million.

While for the sterling area as a whole the current account balance deteriorated in 1954, there was an improvement—limited, however, to the first half of the year—in the current account balance of the United Kingdom with the overseas sterling area. This improvement resulted largely from an increase in overseas sterling area imports from the United Kingdom, roughly proportionate to that in imports from other areas.

The deterioration in the current account balance of the overseas sterling area with the United Kingdom, together with the even greater deterioration in its over-all balance with the non-sterling area, was made possible in part by a large increase in capital imports from the United Kingdom.[5] This, however, was not sufficient to prevent a decline in the rate of increase of sterling holdings, from £253 million in 1953 to £115 million in 1954. At the end of 1954 total holdings amounted to £3,049 million. The decline was concentrated in the independent sterling area countries; colonial holdings, which were influenced by increases in such exports as coffee, cocoa, and oil, rose much more in 1954 than in 1953.

[5] Including errors and omissions; these increased from £145 million in 1953 to £268 million in 1954.

IV

Internal Monetary and Fiscal Developments

DESPITE widespread apprehension at the beginning of the year about the possible extent of repercussions of recession in the United States, production and employment in nearly all countries outside the United States and Canada continued to rise throughout 1954, which was one of the most satisfactory postwar years. Not only retail prices, but even wholesale prices and primary product prices in general, remained remarkably stable. Only in some of the underdeveloped countries was there any significant degree of monetary and price instability, stemming from continued difficulty in limiting development to available resources. Except where fluctuations in coffee and rice prices created special problems, the difficulties arising from the instability of export prices, which in earlier years had been a prime cause of disequilibrium for countries specializing in primary production, were less serious in 1954.

Monetary policies in early 1954 had shown a fairly consistent pattern of easier credit. Long-term interest rates were falling in almost every developed country, influenced by the diminution of inflationary pressures and the fear of a general decline in activity, as well as by the improving reserve position of most of the non-dollar world. By the beginning of 1955, however, this consistent pattern was no longer maintained. Interest rates were rising in many developed countries as governments attempted to moderate new expansionary pressures, which in some countries had already led to balance of payments difficulties. In some other developed countries, sustained favorable conditions permitted the continuation of measures easing credit. In the underdeveloped countries, the problem of financing development remained paramount throughout and there was little over-all change in policy.

The trend noted in recent years toward a more extensive use of central bank action continued in 1954 and 1955. For the first time in several years, changes were made in the discount rate in Norway, Sweden, and New Zealand. Accompanying this trend to stronger action by central banks was a continued growth in many countries in general confidence in the currency. This manifested itself in a marked increase in the ratio of time and savings deposits to the money supply. In the 1940's and early 1950's, widespread expectations of price increases had fostered a tendency in many countries to reduce to a minimum savings held in banks and other savings institutions. This trend was reversed in 1954, and intermediary financial institutions are regaining their former place in the investment of savings. The increase in the ratio of time and savings deposits to money supply in 1954 was most marked in Germany, Italy, the Netherlands, Sweden, and Switzerland. In most countries, however, these deposits have not quite recovered their prewar importance.

Few countries made major changes in their fiscal policies in 1954 or the early part of 1955. In the developed countries there was some tendency to cut tax rates, but this was less widespread than in the previous year and in most instances the reductions were comparatively small. In the United States, however, there were large tax reductions as a result of the expiration of certain emergency taxes and the adoption of a general tax reform. Despite these tax cuts and the automatic decline in tax receipts resulting from the slackening of business activity, the cash budget deficit decreased in the calendar year 1954 as the result of a fall in cash expenditures. In Germany too, there were considerable tax reductions effective at the beginning of 1955. Relatively small tax reductions in Canada in April 1955 accompanied an expansionary monetary policy. In the United Kingdom, tax relief also granted in April 1955 was considered desirable as a stimulus to production, despite the existence of conditions that had only recently required two increases in the bank rate. On the other hand, Denmark increased indirect taxes to supplement monetary restrictions prompted by balance of payments difficulties, and early in 1955 Sweden restored the levy previously applied to new investment, which had been removed at the beginning of 1954. In most underdeveloped countries, the main fiscal problem is still that of raising enough revenue to finance development expenditures by the government. Compensatory fiscal action, where successfully undertaken, has generally been confined to the adjustment of export and import duties to changes in market conditions and in the balance of payments position.

Industrial Countries

The recovery of the United States from the business contraction of 1953-54 was an event of outstanding importance in the past year. The contraction was initiated by a decline in retail sales in the second quarter of 1953. At the same time, defense expenditures began to decline, their annual rate falling over the next 18 months by nearly $14 billion. These depressive influences led in turn to a substantial adjustment of business inventories; inventories had expanded at an annual rate of $5 billion in the second quarter of 1953, but in the fourth quarter they were reduced at an annual rate of $4 billion.

Toward the end of 1954, aggregate demand in the United States revived. Consumer expenditure, which had been supported by a decline in tax collections and the sustaining influence of larger social security payments, began to rise again. Expenditures on housing increased sharply, under the stimulus of liberalized mortgage conditions introduced by the Federal Government. The continuous rise of construction outlays throughout the year reflected the general confidence that the contraction would not be long lived. Defense expenditures stopped falling in the third quarter of 1954, and finally the inventory adjustment ran its course. In the last months of 1954, stocks of purchased materials and goods in process started to increase, and the continuing decline in inventories of finished goods may have been partly a reflection of unexpectedly large sales.

In the early months of 1955 the expansion continued and broadened. From February unemployment was less than it had been a year earlier, although it remained around 5 per cent of the labor force, considerably above the postwar average. A high degree of business and consumer confidence was indicated by an upturn of expenditure plans for capital goods and durable consumer goods.

Progress toward recovery was at first aided by Federal Reserve policy which was directed toward making credit readily available on terms attractive to borrowers. The effect was achieved principally through a reduction in bank reserve requirements in 1954. Partly owing to this easing of their reserve positions and partly as a result of reduced business borrowing, banks purchased exceptionally large amounts of government securities and greatly increased their lending on residential mortgages. Commercial bank purchases of U. S. Government securities indirectly provided part of the funds made available to other borrowers by individuals and institutions that had reduced their government security holdings.

Interest rates, both long-term and short-term, declined in the United States during the first half of 1954. After August, interest rates on government paper rose moderately, as the more than seasonal expansion of business borrowing was allowed to reduce the net excess of bank reserves. The Board of Governors of the Federal Reserve System announced late in the year the discontinuance of its policy of "active ease" of credit. Thereafter, the excess reserves of member banks declined. During the first four months of 1955, rates on commercial paper, Treasury bills, and longer-term securities rose somewhat, and in April the Federal Reserve Banks raised their rediscount rate from 1½ per cent to 1¾ per cent. In view of the boom in share market prices which had persisted since late 1953, action was also taken in January, and again in April, to restrict the availability of credit for purchasing and carrying corporate stock.

Until early 1955, developments in Canada paralleled those in the United States rather closely. Industrial production fell during the last half of 1953 and the first quarter of 1954, and employment in manufacturing declined. The recession was intensified by a partial failure of the wheat harvest and a contraction of agricultural export markets.

In the first part of 1954, the Canadian authorities followed policies similar to those of the United States. Monetary policy was eased and interest rates fell substantially. In June 1954 the Government stimulated private residential construction by legislation liberalizing the provision of housing finance. These measures assisted in a recovery in the second half of the year. However, the recovery was not complete, and unemployment continued at levels above those of 1953. In early 1955 the expansive monetary policy was continued, interest rates fell, and the discount rate was lowered in February. The Government's budget for the fiscal year 1955-56 provided for a reduction in tax rates and a small deficit.

The pattern in Western Europe was quite different from that in North America. There was a marked rise in industrial production in practically every country. Employment rose everywhere, and in several countries unemployment reached a practical minimum. In some countries—notably Austria and Western Germany—which have had unemployment problems, there were signs that shortages of industrial manpower were becoming significant in certain sectors. In contrast to 1951, when the post-Korean boom was at its peak, prices remained fairly stable while production was increasing. In almost every country of Western Europe, wholesale prices varied by less than 3 per cent during the year. In a few countries, notably the Netherlands and Norway, retail prices rose somewhat under the impetus of wage increases, though productivity also increased. Toward the end of the year, however, there were some further price increases in several countries, and the maintenance of price stability threatened to become more difficult in the face of further intensification of demand, rising wages, and some rise in import prices.

There were several developments favorable to economic expansion in Western Europe. The sharp reversal in inventory movements in the United States had no counterpart in Europe, where inventories were rather low at the beginning of 1954. Consumer expenditure was fostered by the spread of consumer credit and the increased availability of durable consumer goods, and, still more in some countries, by wage increases which redistributed income in favor of labor and by tax reductions. The upswing was marked by an expansion in the sales of durable consumer goods in most West European countries. Economic expansion was further aided by a considerable growth of exports, particularly from continental Europe. Probably even more important was the expansion of investment, including housing, encouraged in part by the easing of monetary policy and facilitated also by some initial slackness in the metal-using industries.

In most West European countries, the promotion of expansion required little overt action. In the Netherlands, however, where substantial balance of payments surpluses provided a margin of safety, and where considerable restraint had been shown in making wage adjustments in previous years, there was an example of direct action on income distribution in the form of government-sanctioned wage increases. Industrial wage rates rose by 16 per cent in 1954. The Government also reduced tax rates, but the cash budget surplus actually realized was only slightly smaller than in 1953. At the same time, the new commercial bank reserve requirements and a conversion of short-term debt into medium-term increased the monetary authorities' power to control credit expansion.

Outstanding increases in production were recorded in both Western Germany and France in 1954. Foreign demand and domestic investment were important factors in the expansion in Germany, which was a continuation of the spectacular gains made each year since the currency reform of 1948. The increase in France, which contrasted sharply with the lack of progress in the previous year, was encouraged not only by increased demand for exports but also by tax exemptions for investment and increases in wages of the lowest paid workers. Both countries followed policies designed to lower interest rates. Although the money supply rose substantially, price stability was maintained; 1954 was the first year since the end of the war when a substantial rise in production was achieved in France without general price increases. This price stability in France was of paramount importance in strengthening confidence, stopping the flow of gold into hoards, increasing savings, and hence reducing the Government's dependence on bank credit.

While domestic output in the Scandinavian countries continued to rise, unsatisfactory balance of payments movements in some of them forced several significant changes in monetary policy in the course of the year. In Denmark, fiscal and, in particular, monetary policies were strengthened considerably when foreign exchange reserves fell drastically in the summer of 1954. To increase the effectiveness of its monetary policy, the Government took steps to ensure that higher interest rates were extended to residential housing, for which loans had previously been granted at fixed low rates. Further fiscal measures were taken in the spring of 1955. In Norway, continued balance of payments pressures caused the Government to adopt more stringent fiscal and monetary measures, especially with a view to reducing the unusually large investment program. For the first time since 1946, the discount rate was changed in February 1955, and long-term rates of interest rose. Further arrangements, including the introduction of additional bank reserve requirements, were made to limit the expansion of credit to the private sector of the economy. In Sweden, where there was a risk that wage increases agreed early in 1955 might intensify pressures already evident in the economy, the discount rate was raised in April from 2¾ per cent to 3¾ per cent, and a new long-term bond issue was offered at 4½ per cent, ¾ per cent above the ruling market rate. By these measures and stricter enforcement of reserve requirements, the Government attempted to establish firmer control over the banking system and to meet a threat of new inflationary pressures.

The United Kingdom shared in the general expansion of production and employment. In the course of the year, unemployment fell even below the level of the immediate postwar years. Consumption expenditure, in particular on durable goods, especially automobiles, grew substantially. Investment also increased, notably in the nationalized industries. On the other hand, there was a slight decline in government expenditures, arising from a reduction in outlays on defense. The tendency to expansion was supported by monetary policy. A general downward trend in interest rates quickened during the year; the movement was most marked in short-term rates, which were influenced by a lowering of the bank rate in May, but long-term rates also fell in all sectors of the capital market. Ordinary share prices showed a strong upward tendency. The private sector of the economy and the nationalized industries increased their borrowing from the banks. On the other hand, the Government's over-all deficit, including capital expenditures, decreased considerably. Early in 1955 there were indications that the expansionary forces were becoming more pronounced and, in conjunction with other factors, were having an adverse effect on the balance of payments. Accordingly the bank rate was raised from 3 per cent to 3½ per cent on January 27, and to 4½ per cent on February 24, and some restrictions were imposed on hire purchase. When the 1955-56 Budget was introduced in April, the Chancellor of the Exchequer estimated that the scope for increased production in the coming year would be at least as great as in the past two years, while home demand should rise by less. As an incentive to increase production, the Budget provided for a small general reduction in income tax.

During 1954 the Japanese monetary authorities achieved an important success in their attempt to halt inflation. In earlier years the money supply had increased continuously and the cost of living went up each year. Wholesale prices in December 1953 were nearly 50 per cent higher than in 1950. Foreign exchange reserves had declined considerably in 1953, and Japan also had to face the certain prospect that receipts from expenditures by U. S. Armed Forces would decline sharply. At the end of that year, strong monetary action was initiated. The Bank of Japan undertook to reduce its loans to private banks, by applying increasingly high charges on rediscounts beyond certain limits. These measures were aided by a recovery of confidence in the currency, which led to a significant increase in time deposits. Loans by the Bank of Japan fell substantially in the latter half of 1954, and the growth of the money supply was checked. Wholesale prices declined a little during the year, and the effectiveness of the tightening of credit is indicated by the fall of share prices, which contrasted with a rise in almost every other country. Production for 1954 as a whole was greater than in 1953. The fall in foreign exchange reserves was checked and substantial gains were made late in the year.

Underdeveloped Countries

In 1954 and early 1955, many underdeveloped countries still found it difficult to establish or maintain internal monetary stability, and their problems were often intensified by the pressing claims of development programs. The diversity of the experiences of the underdeveloped countries in 1954 again demonstrated that the degree of success attained in maintaining monetary stability while they are pressing forward with development depends upon their economic policy as a whole rather than upon any single factor in it. The significance of a budget deficit will be greatly influenced by measures taken at the same time to ensure a balanced growth of production, or to protect the equilibrium of the economy as a whole in other ways.

In most Asian countries, 1954 was a year of comparative domestic monetary stability. But in a number of Latin American countries inflationary pressures with varying degrees of intensity were important. The most serious situations appeared to be those in Bolivia, Brazil, and Chile.

Most of the Asian and a few of the Latin American countries that had been suffering from a fall in export earnings had, by 1954, adjusted their economies to the new situation. For some countries, the subsequent recovery in the prices of certain commodities, such as jute, rubber, and tea, with a consequent improvement in their terms of trade, made the adjustments required of them less far-reaching than they otherwise would have been. Coffee prices, however, which had increased in the last few years, fell sharply in the second half of 1954 and in early 1955.

Some countries that faced balance of payments deficits because their domestic income and price levels had not been adjusted to lower export earnings attempted to maintain incomes in export industries by various kinds of subsidy, while imposing more stringent exchange restrictions to correct the balance of payments. Such efforts, however, cannot produce results that are satisfactory for the economy as a whole; they usually create inflationary pressures or intensify pressures already operating in the economy, while they also tend to become progressively more difficult to enforce.

In spite of a fall in government revenues as the Korean war boom collapsed, many underdeveloped countries had maintained their developmental expenditures, and by 1954 some governments, at least in Asian countries, were again increasing these expenditures. Although efforts to expand government revenues through improved tax collection and other tax measures have continued, government expenditures have increased by as much as, if not more than, the increases in revenues, and in many underdeveloped countries there are still substantial government budget deficits. Where this has led to, or been accompanied by, an expansion of domestic output, or where large foreign reserves accumulated in earlier years have been used to finance imports, no inflationary pressures have arisen. In India, for example, the trend of wholesale prices over the last few years and also for most of 1954 has been downward, despite budget deficits. The offsetting factor in India has been the large increases in both agricultural and industrial production resulting not only from favorable weather but also from earlier government investment, such as the expansion of irrigation works. In the fiscal year 1955-56, a budget deficit larger than that shown in the 1954-55 revised estimates is expected, but the Indian Government does not anticipate inflation.

In Burma, deficit financing mainly for development did not lead to domestic inflationary pressures, partly because domestic output increased. Also, foreign reserves were allowed to fall. The main single influence affecting the movement of reserves was debt repayments to India and the United Kingdom; the movement was also accelerated by declining export prices for rice. In order to stem the decline of reserves, the Government not only introduced strict import controls in early 1955, but also cut expenditures, including those of a developmental nature, with a view to making its development program more realistic in relation to available resources.

Deficit financing by the Government of Indonesia during the last few years has made more difficult the problem of adjusting the economy to a lower level of export earnings. The Government's indebtedness to the central bank (Bank Indonesia) increased from Rp 5,398 million at the end of 1953 to Rp 8,599 million at the end of 1954. The money supply consequently increased, and by December

1954 was 45 per cent larger than at the end of the previous year. Wage increases in industry, which exceeded any real increases in productivity, also contributed to the inflationary tendency.

Underdeveloped countries can try to reduce the excess demand attributable to inflated domestic incomes by cutting government expenditures or by adopting measures to increase government revenue. However, these adjustments are always difficult and often slow. One of the most successful of such attempts was made in Ceylon. Beginning with the year 1953-54 and continuing in 1954-55, Ceylon's budget aimed at economic development with financial stability. In order to avoid inflation and to leave private savings to finance private investment, it was decided that total government expenditures were not to exceed total government revenues plus receipts from borrowing abroad, and the Government reduced its net domestic debt during the year. The rise in the export price of tea during 1954 contributed in no small measure to the success of the Government's efforts, for it made possible an expansion of government revenue by means of several increases in the export duty on tea. For the first time in several years a cash surplus was achieved in 1954.

The upward movement of prices and the money supply that had been in progress in Brazil for a long time was accelerated in 1954, wholesale prices increasing by about 30 per cent. An important contributory factor was a substantial rise in the foreign price of coffee in the early part of the year. Later, when world coffee prices fell and a minimum export price was maintained, the financing of coffee stocks produced a considerable expansion of bank credit. The fiscal operations of both the Federal Government and the state governments again resulted in large deficits. These factors and the delayed impact of the substantial increase of minimum wages that had taken place in 1954 limited the effectiveness of measures, including sharply increased reserve requirements, which were adopted in October to curtail the expansion of commercial bank credit. Commercial bank credit leveled off, and lending by the Bank of Brazil was under better control in the early part of 1955. Prices continued to rise in early 1955, although at a somewhat slower rate.

In Bolivia the cost of living index doubled in 1954, and in Chile it increased by 70 per cent. In both countries the financing of government deficits, which in turn permitted substantial expansion of private credit, was an important cause of inflation. These fiscal problems had yet to be solved in early 1955. In Bolivia substantial extensions of central bank credit to the government-owned Mining Corporation and the Mining Bank, to enable them to continue financing tin exports at the official exchange rate in the face of rising costs, contributed to the severe inflationary pressure.

In Mexico, the devaluation of the peso in April 1954 from 8.65 to 12.50 per U. S. dollar was followed at first by a considerable flight of capital, general uncertainty, and continued slackness in business. This uncertainty was overcome toward the end of the year, however, and industrial production increased rapidly in the first quarter of 1955. As prosperity returned, measures were taken to limit the expansion of the money supply and the rise in prices. During the first year after the devaluation, the money supply increased by roughly 20 per cent as central bank credit was extended to the Government and its agencies. Prices rose by 19 per cent from March 1954 to March 1955. In order to ensure monetary restraint, government credit institutions agreed to forego further recourse to the central bank, and the Federal Government adopted a balanced budget for 1955. Private credit was restricted by high reserve requirements which in effect limited credit extension to roughly 25 per cent of any increase in deposits. By the spring of 1955, the outflow of capital had been reversed and reserves, aided also by favorable exports of agricultural products, were higher than they had been at the beginning of 1954.

V

The Fund and Exchange Restrictions

Consultations in 1954

Beginning in 1952, member countries maintaining restrictions under Article XIV, Section 2, of the Fund Agreement have consulted the Fund each year on the continuance of these restrictions. During the third series of consultations beginning in April 1954, 40 member countries consulted the Fund on the further retention of their restrictive practices, either in Washington or in member countries, or, in the case of four countries, by a simplified procedure of exchange of correspondence.

The international economic climate has continued to be propitious during the last year for the reduction of restrictions on trade and payments. The increases in output and real income in many countries, the stronger competitive position of European industrial exporting countries, the more balanced distribution of monetary reserves, and the course of economic activity in the United States have already been examined earlier in this Report. Another favorable factor has been the continued maintenance of internal stability in a number of countries. Several countries, moreover, have dismantled a large part of their internal control machinery. When confronted with balance of payments difficulties, these countries are likely to find it more rational and convenient to restore equilibrium by means which do not involve the reimposition of restrictions.

One manifestation of progress toward convertibility has been the reduction of over-all restrictions, particularly in Western Europe and the sterling area. In some countries, indeed, there have been movements in the opposite direction, and renewed payments difficulties have caused the reintroduction of restrictions which had earlier been relaxed or removed. The definite elimination of controls has sometimes been delayed by unwillingness to dismantle a control apparatus which it is feared may have to be re-established in the event of a deterioration of the payments situation. On the whole, however, world trade is less subject to restrictions than it was a year ago, and a large measure of freedom for trade and payments has been re-established. Some controls have been applied less rigorously without any formal change in the regulations themselves; regulations have sometimes been made less rigid and formalistic; and, finally, some controls have been definitely eliminated.

Fairly satisfactory progress has also been made in the reduction of discriminatory practices. Both in Europe and elsewhere there is less discrimination against the dollar area. Some ten member countries outside the dollar area (Belgium, Ethiopia, Greece, Indonesia, Luxembourg, the Netherlands, Pakistan, Peru, Thailand, and the Union of South Africa) make little significant distinction between their treatment of the dollar area and of other countries.

The importance of discrimination has also been diminished by the free transferability of deutsche marks within the non-dollar area, and by the widening of commodity markets in Western Europe. Goods purchased in these commodity markets against convertible currencies cannot as a rule be resold against inconvertible currencies; the regulations of the markets, however, permit authorized brokers to purchase and sell freely throughout the world, subject to certain general principles of exchange control.

The stringency of exchange restrictions on invisible transactions and capital transfers has been relaxed, particularly in Western Europe, and the restrictions that have been retained are less discriminatory against the dollar area. In several member countries, restrictions on investments abroad have been relaxed. In Belgium-Luxembourg and the Netherlands, the relaxation on capital transfers has been facilitated by the establishment of a free exchange market (see Chapter VIII). Although the arrangements made for this purpose can give rise to exchange rates deviating from parity by more than one per cent, the Fund has regarded them as steps toward convertibility and has not objected to their introduction on a temporary basis.

Much less progress has been made in the elimination of multiple currency practices and similar arrangements, still used by a large number of countries. In some countries, however, these are used as an alternative to quantitative exchange restrictions. In any event, a mere enumeration of multiple currency practices does not indicate their importance for the world as a whole, for some of those that are still retained have little practical significance. In some cases, changes in multiple currency practices during the past year have reflected progress toward a unified rate structure. Nevertheless, because of balance of payments or other difficulties, a number of countries have found it necessary to intensify their multiple rate systems or to establish special exchange arrangements for exports for which there have been marketing difficulties.

A number of member countries are still confronted with payments difficulties, and in several of them the rate of progress toward convertibility recorded in recent years has not been maintained. Many underdeveloped countries use restrictions to cope with balance of payments difficulties generally associated with their investment programs, to assure supplies of certain categories of imports considered essential, or to protect infant industries. In countries whose economies are largely dependent upon the production and exportation of primary commodities, particularly coffee or rice, world price fluctuations have led to alternating relaxation and intensification of restrictions.

Some of the most important European exporting countries have made efforts to diminish the number and scope of their bilateral payments agreements. In many countries, however, bilateral arrangements are still regarded as a useful instrument of international trade and financial policy. Some countries practice bilateralism because they see in it a means for maintaining exports that are important in their trade while sometimes preventing a decline in the prices of these exports. They fear that it would otherwise be difficult for them to maintain or to expand the flow of their exports in the face of state trading practices elsewhere and the balance of payments difficulties of some underdeveloped countries. Bilateralism is also sometimes used as an instrument to deal with the difficulties that arise when current commercial obligations fall into arrears. Debtor countries may use bilateral arrangements to give priority to sources of import supply where payment or credit facilities are available to them. Other countries wish in principle to get rid of bilateralism, but hesitate to deprive themselves of its protection as long as their competitors refuse to renounce bilateral arrangements or other countries retain such devices as agricultural import restrictions.

The picture as a whole during the 1954 consultation period is thus one of cautious but sustained effort, consolidation of gains linked with a desire to make further progress, and general improvement despite certain setbacks. General economic trends, both at home and abroad, are everywhere being closely observed as indicators of opportunities for further measures of liberalization.

Consultation Program for 1955

On April 1, 1955 the Fund began the fourth series of consultations provided for in Article XIV, Section 4, of the Fund Agreement. The consultation procedures approved by the Executive Board last year have been found to provide a flexible and convenient working technique which enables the Fund to discharge its responsibilities in this matter. In these consultations the Fund's main interest will be to ensure the maintenance of the current momentum in the relaxation of restrictions.

Member countries that need additional exchange resources if their currencies are to be declared or kept convertible can count on the Fund's assistance. Fund policy regarding the use of its resources also enables it to help those countries that, though not able to establish convertibility, seek to avoid the intensification of restrictions or to accelerate their relaxation or removal. The Fund's aim is to help to ensure that restrictive measures which are likely to compromise the success of movements toward convertibility are not taken.

In formulating Fund policy, account must, of course, always be taken of changes in the world economic situation. Economic conditions in the United States and other industrial countries and the judgment of these conditions formed by other countries are always matters of great importance. As has been noted elsewhere in this Report, these conditions are currently favorable. Further constructive steps taken by countries with strong balances of payments to liberalize their trade and tariff policy would encourage other member countries to relax or abandon their restrictions. Such steps have an importance that extends beyond the volume of trade immediately affected, for they would have a strong influence on the attitudes of countries still maintaining restrictions toward the possibility of getting rid of them.

Within the framework of its general policy the Fund will, as in the past, endeavor to take proper account of any special difficulties with which individual members have to deal, while having regard both to the way in which restrictions may injure the interests of other countries and their effect upon the general movement toward convertibility.

If exchange measures are found necessary, they should be no more restrictive than is justified by the severity of the balance of payments difficulties that they are intended to relieve, taking into account the other measures which may be open to the members for this purpose. Without excluding other relevant factors, similar considerations apply in determining whether there is any justification for discriminatory measures against either individual countries or currency areas. This applies both to discrimination directed specifically against particular currencies and to discrimination that may result from bilateral arrangements. If they are to be effective, bilateral payments arrangements necessarily involve certain elements of discrimination that are contrary to the principles of the Fund. Moreover, for a country that practices discrimination, bilateralism, like other forms of uneconomic restrictionism, stands in the way of the best use of resources. In addition, when, as at present, conditions for a return to general convertibility are becoming more favorable and certain countries contemplate this action as a possibility in the fairly near future, bilateral arrangements require particularly close scrutiny since they may impede further progress toward convertibility.

The procedure to be followed in the 1955 consultations with member countries under Article XIV was considered by the Executive Board on April 13. The Board decided that it would be appropriate to undertake a complete examination of the bilateral arrangements of the members consulted and examine with members, among other matters, the economic justifications for such arrangements.

Subsequently, the Executive Board, by a decision of June 22 (see Appendix I) adopted a general policy on bilateral arrangements that involve the use of exchange restrictions. The Fund stated that the objective of its policies and activities is the elimination of foreign exchange restrictions and the earliest possible establishment of a multilateral system of payments in respect of current transactions between members. The Fund welcomed the reduced reliance on bilateral arrangements, but considered that the improvement in the international payments situation makes it less necessary for members to use such arrangements. The Fund urged the full collaboration of all its members to reduce and to eliminate as rapidly as practicable reliance on bilateralism. In this respect the Fund recommended close cooperation of those members who plan to make their currencies convertible in the near future. Collaboration was also requested from countries whose domestic and foreign economic policies may adversely affect the balance of payments of other members.

The purpose of this decision is to avoid the persistence of widespread discriminatory restrictions that would impede the attainment and maintenance of convertibility. The Fund will have discussions with its members on their need to retain existing bilateral arrangements and their ability to facilitate the reduction of bilateral arrangements in other countries. The Fund will explore the possibility of an early removal of such arrangements and the ways and means, including the use of its resources, by which it can assist in this process. In its examination of the justification for reliance on bilateral arrangements, the Fund will, without excluding other considerations, have particular regard to the payments position and prospects of the member concerned.

The Fund has received assurances from many member countries that maintain multiple currency practices that efforts would be made to move toward a unitary rate system as conditions permit. The Fund will continue to study with these members the prospects of unifying their exchange systems, taking into account the repercussions of multiple currency practices on the economies of the countries applying them and on the trade of other countries.

Finally, the Fund is concerned about the effects upon world trade of certain export promotion practices. The urgency of the problem of retention quotas and similar practices is no longer as great as it was, but other forms of export incentive have recently appeared which may cause distortion in trade currents. Whenever the Fund has had knowledge of practices of this type, it has discussed them with the countries concerned, particularly from the point of view of the obligations of the Articles of Agreement and of the repercussions that such practices might have on the trade of other member countries.

Article VIII, Article XIV, and the Transitional Period

The general obligations of member countries concerning restrictions on current payments are set forth in Article VIII, Sections 2, 3, and 4, of the Articles of Agreement. A member may not, without the approval of the Fund, impose restrictions on the making of current payments or engage in discriminatory currency arrangements or multiple currency practices vis-à-vis other members. Two exceptions to the rule of prior approval are specified in the Articles of Agreement. The first exception, set forth in Article VII, Section 3(b), covers restrictions imposed when the Fund has declared a currency scarce. The second is the subject matter of Article XIV, which, as a temporary measure during the postwar transitional period, permits members to maintain and adapt to changing circumstances restrictions on international payments in order to cope with their balance of payments difficulties. Temporary restrictions of this kind are commonly referred to as "transitional arrangements." To qualify as transitional arrangements, the restrictions must have been in effect when the member joined the Fund, unless the member's territories were occupied by the enemy, in which case it may also introduce new restrictions where necessary. The restrictions must be withdrawn as soon as the member is satisfied that it will be able, in their absence, to settle its balance of payments in a manner which will not unduly encumber its access to the resources of the Fund.

For restrictions on payments imposed in accordance with Article XIV, prior Fund approval is not prescribed, and the extent to which the Fund is authorized to control their use is limited. The Fund has an obligation to report annually on all restrictions still in force under Article XIV, and Fund members have an obligation to consult the Fund annually as to their further retention. The Fund may, if it deems such action necessary in exceptional circumstances, make representations to a member that conditions are favorable for the withdrawal of any or all of the member's transitional arrangements. In making decisions on requests occasioned by changes and adjustments of the transitional period, the Fund is required to give any member the benefit of any reasonable doubt.

On the other hand, to all restrictions on payments, discriminatory currency arrangements, and multiple currency practices, which fall under the provisions of Article VIII, the rule of prior Fund approval applies.

At the present time 45 of the 56 members of the Fund still avail themselves of the transitional arrangements under Article XIV.

At the time of the Bretton Woods Agreement, it was recognized that special provisions permitting exceptions to the general obligations of members were required to deal with the problems of the transitional period. There is no indication in the Articles of Agreement of the duration of this transitional period, but it is logical to assume that the transitional arrangements were to be connected with the special difficulties that had arisen from the war. Generally speaking, most of the members of the Fund that still have balance of payments difficulties requiring the use of exchange restrictions no longer have to face problems related to war-caused conditions, and with the progress already achieved in the removal of exchange restrictions and the possibility of further advances toward convertibility, the question has arisen whether the maintenance of transitional arrangements is still justified. Moreover, the entry into force of the reviewed GATT rules concerning quantitative restrictions and discrimination is linked specifically to the application of Article VIII of the Fund Agreement to a wider range of countries. At the time of writing this Report, the issues raised by these considerations were still being studied by the Fund.

Cooperation with CONTRACTING PARTIES *to the General Agreement on Tariffs and Trade*

A Fund mission attended, as observers, the Ninth Session of the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (GATT) which was held in Geneva, Switzerland, from October 28, 1954 to March 7, 1955. The major item on the Agenda of the Ninth Session was a comprehensive review of the General Agreement in the light of seven years' experience. The review resulted in proposals for a substantial revision of the Agreement, and for the establishment of an Organization for Trade Cooperation. These proposals have been submitted to governments for acceptance.

The proposals arising from the review of the General Agreement include a reaffirmation of its basic objectives and obligations, including the principle of nondiscrimination in trade and the general prohibition (with specified exceptions) of quantitative restrictions on imports, subject as hitherto to any requirements of existing domestic legislation; a renewed undertaking to prolong the period during which the tariffs of contracting parties are bound under the Agreement; the provision, in a special article, of procedures for dealing with the problems of countries in the early stages of economic development; and new provisions relating to export subsidies.

The Fund welcomes the proposal for the establishment of the Organization for Trade Cooperation and the decision of the CONTRACTING PARTIES to adopt measures designed to promote closer cooperation between the CONTRACTING PARTIES and the Fund. The Fund has in the past actively cooperated and consulted with the CONTRACTING PARTIES when they were called upon to deal with problems involving monetary reserves, balances of payments, and foreign exchange arrangements. It looks forward to further close cooperation in the pursuit of the common objectives of the Fund and of the CONTRACTING PARTIES.

As in the past, the CONTRACTING PARTIES consulted with the Fund in connection with other items on the Agenda of the Ninth Session. Members of the mission participated in the consultations conducted by the CONTRACTING PARTIES on the discriminatory aspects of the import restrictions applied by two governments for the purpose of safeguarding their balance of payments and monetary reserves. In this connection, the Fund transmitted to the CONTRACTING PARTIES the results of its consultations under Article XIV with governments which had initiated consultations under the GATT, and background material on the countries concerned. This material was taken into account and used in the GATT consultations. During the Ninth Session, the CONTRACTING PARTIES adopted the same procedures as in previous years for the conduct of consultations initiated in 1955 on the continuance of discrimination.

VI

Use of the Fund's Resources

THE Fund's general policies regarding the use of its resources, and in particular its policies on gold tranche drawings, stand-by arrangements, and the application of the waiver provisions of the Articles of Agreement, which were outlined in the Annual Reports for 1953 and 1954, have been maintained without change during the past year. The Fund is equipped to make its resources available to members, either to help them in meeting special temporary balance of payments difficulties or, in association with other measures undertaken by them, in ensuring exchange stability and avoiding restrictions, and in maintaining or establishing the convertibility of their currencies.

The record of Fund transactions since the reconsideration of policy which began in 1952 shows that the principle is now well established that, unless there are overwhelmingly strong reasons for not doing so, the Fund will invariably grant members' requests for gold tranche drawings. Of the 20 purchases of currency made since February 1952, 14 were gold tranche transactions, on which only the Fund service charge of ½ per cent is payable by members.

Although no comparable principle applies to drawings beyond the gold tranche, a sufficient number of countries have requested and been granted such drawings to demonstrate that more substantial assistance is readily available in case of need to countries that are pursuing policies consistent with the objectives of the Fund. Applications for these drawings are naturally subject to a more detailed examination of all the relevant circumstances, and the larger the drawing in relation to a member's quota the stronger is the justification required of the member.

In practice, the Fund's attitude toward applications for drawings within the first credit tranche (i.e., drawings that raise the Fund's holdings of a member's currency above 100 per cent but not over 125 per cent of its quota) is a liberal one. Members are aware that, if they face balance of payments problems of a temporary nature, they may confidently expect a favorable response from the Fund to a request for a drawing within the first credit tranche, provided they are themselves making reasonable efforts to solve their problems.

There is not as yet the same body of precedent for drawings beyond the first credit tranche, but several such transactions have been approved. Should the need arise, and should the justification be substantial, members need not doubt that drawings on subsequent tranches will be permitted. Foremost among the developments that the Fund foresees as justifying liberal approval of such drawings are transactions in support of the establishment or maintenance of convertibility.

The Fund's stand-by arrangements have now been applied often enough to show that they are valuable to members and helpful in achieving the purposes of the Fund. As further progress is made toward convertibility, the stand-by arrangements should become still more useful. The amount of supplementary support which would in fact ensure adequate protection to a member against any immediate pressure upon reserves that might arise as a consequence of a formal declaration of convertibility cannot easily be estimated with any precision. However, in the formulation of national policies in relation to convertibility, the Fund's resources can confidently be regarded as an important supplement to members' reserves.

The Fund will continue to consider the further appropriate development of its practices so that, without neglecting the importance of maintaining proper standards, its operations may be made more helpful to members. In its practices, the Fund has recognized that it is appropriate, where necessary to carry out any of the policies outlined above, to grant a waiver under Article V, Section 4, to permit countries to draw more than the 25 per cent of quota normally permitted during a 12-month period. Several such waivers have already been granted, including one which permitted a member to draw 50 per cent of its quota, of which half was within the gold tranche.

During the year ended April 30, 1955, demands for the Fund's resources were very light. Three members purchased currencies from the Fund amounting to a total of $48,750,000. This was smaller than the total of purchases from the Fund in either of the two previous fiscal years, and considerably less than the total repurchases of more than $275 million during the fiscal year 1954-55. Both the number and the total amount of repurchases were much higher than in any previous reporting year, and at the end of the year the Fund was in a more liquid position than it had been for some time.

The history of Fund transactions during the last year is rightly interpreted as one indication of the widespread relaxation of balance of payments pressures and the strengthening of the monetary reserves of many Fund members, referred to in other sections of this Report. The number of members that have had special balance of payments difficulties has been smaller than in previous years. The past year's record of transactions can, however, hardly be regarded as normal. One of the purposes of the Fund is "to give confidence to members by making the Fund's resources available to them under adequate safeguards," so that the balance of payments maladjustments which are to be expected from time to time may be corrected "without resorting to measures destructive of national or international prosperity." Even in circumstances where there were few special situations which justified recourse to the Fund's resources, balance of payments deficits might be expected in the normal course of events, which would properly be alleviated by transactions on a larger scale than that of the past year. In addition, access to the Fund's resources may be regarded as a means for helping members to accelerate the relaxation and removal of restrictions. It might have been expected that during the past year members that, on account of the inadequacy of their own reserves, have hesitated to remove restrictions more rapidly or have felt obliged to intensify their restrictions, would have made more use of the Fund's facilities.

The revised schedule of charges referred to in last year's Annual Report, which expired on December 31, 1954, was extended for another year by a decision of the Executive Board. However, the Fund's attitude to its schedule of charges remains flexible, and is being kept under review. A general study of the principles underlying the system of the Fund's charges, which is now in preparation, will be reviewed by the Executive Board during the year.

In accordance with Article III, Section 2, of the Articles of Agreement, the Fund has an obligation to review the quotas of its members at intervals of five years. As the next such review is due in 1956, the Executive Board has constituted itself as a Committee of the Whole to study the problems and to prepare a report in accordance with Rule D-3 of the Fund's Rules and Regulations.

Certain Fund members, as a matter of policy or of practice, allow exchange rates in their markets to fluctuate in such a way that exchange transactions in their currencies are not based on parity in accordance with Article IV, Section 3, of the Fund's Articles of Agreement. For practical reasons, it seemed desirable to establish general rules to cover the operating problems which these situations create for the Fund, and on June 15, 1954 (see Appendix II) the Executive Board adopted a set of rules to deal with them. These rules make it possible for the Fund to engage in transactions in the currencies of these members on an equitable basis and to make the computations required by the Fund Agreement. In this latter respect they are intended to facilitate the periodic revaluations of the Fund's holdings of fluctuating currencies, as well as their revaluation for the purpose of actual transactions. Other members of the Fund are not precluded by the fluctuations of a member's currency from purchasing it from the Fund; nor is a member whose currency fluctuates necessarily deprived of its right to purchase the currencies of other members. The rules become operative in any given case only after the Fund has decided to apply Article IV, Section 8, to its holdings of a fluctuating currency. So far, the Fund has so decided in the cases of Canada and Peru, and the rules have been applied to the Fund's holdings of the currencies of these two members. The rules are intended to be experimental, and they will be reviewed from time to time in the light of experience. They have the practical purpose of facilitating the operations of the Fund. The Fund's general position on fluctuating rates, as set forth in the Annual Report for 1951, has not been changed by the adoption of these rules.

On October 15, 1954, the Executive Board restored France's eligibility to use the Fund's resources. France automatically became ineligible in January 1948, when it found itself unable to accept the modifications suggested by the Fund of the alterations in the French exchange system that were contemplated at that time, and decided instead to proceed with its own proposals. The Fund, accordingly, considered that France had made an unauthorized change of par value. The decision of October 15 was taken in light of the earlier abandonment by France of the multiple currency practices and discriminatory arrangements which the Fund had found unacceptable.

Fund Transactions

The stand-by arrangements with Belgium, Mexico, and Peru, described in last year's Report, continued in effect during the year ended April 30, 1955, the arrangements with Mexico and Peru having been renewed. These arrangements permitted drawings up to $50 million, $27.5 million, and $12.5 million, respectively. No drawings were made during the year under any stand-by arrangement.

The three purchases of currencies from the Fund during the year, amounting to a total of $48,750,000, were made by Indonesia which purchased $15,000,000 for rupiah in August 1954, by Colombia which purchased $25,000,000 for pesos in December 1954, and by Iran which purchased $8,750,000 for rials in January 1955.

The purchase by Indonesia, which has not yet agreed a par value with the Fund, was made at the same provisional exchange rate as had been approved by the Executive Board for its subscription payment, and was within its gold tranche. Under a waiver pursuant to Article V, Section 4, Colombia purchased an amount equal to 50 per cent of its quota, and of this amount one half was within its gold tranche. Since Iran made a repurchase of $8,732,559.96 before its drawing in January 1955, the drawing made at that time was within its gold tranche.

As shown in Table 20, 12 members repurchased during the year amounts of their currency from the Fund for gold and dollars, equivalent to $276,275,398.29.

TABLE 20. REPURCHASES OF CURRENCY FROM THE FUND, FISCAL YEAR ENDED APRIL 30, 1955

(In U. S. dollars)

Member	Amount of Repurchase
Australia	24,000,000.00
Austria	7,499,741.79
Denmark	10,963,500.00
Ethiopia	1,434,142.18
Finland	3,000,000.00
France	20,000,000.00
Germany	45,088,454.36
India	36,182,000.00
Iran	8,732,559.96
Paraguay	375,000.00
Turkey	7,000,000.00
United Kingdom	112,000,000.00
Total	276,275,398.29

Iran's repurchase obligation as of April 30, 1952 had been under discussion with the member for some time. At the member's request, the Executive Board agreed to postpone payment of the obligation until January 1955. A further repurchase obligation as of April 30, 1954 was incurred by Iran, and both these obligations were discharged in January 1955.

At the time of Brazil's drawing from the Fund in October 1953, a repurchase schedule had been agreed providing for payments in 1957 and 1958. A repurchase obligation under the provisions of Article V, Section 7(b), for $34,436,000 was subsequently computed by the Fund as having been incurred by Brazil as of April 30, 1953. After discussions between the Fund and Brazil, the member agreed with the Fund's computation and requested that payment of this repurchase obligation be postponed to coincide with the payments to be made in accordance with Brazil's repurchase schedule. The Executive Board agreed to this request.

Turkey made repurchases of its currency from the Fund in December 1954 and in January 1955 equivalent to $3 million and $4 million, respectively, in compliance with the commitment undertaken when it purchased exchange from the Fund in August 1953. A repurchase obligation under the provisions of Article V, Section 7(b), was incurred by Turkey as of April 30, 1954, part of which was discharged by the payment made in January 1955. The payment of the remainder, amounting to $4,116,324.70, was postponed, with the approval of the Executive Board, until the end of November 1955, when, according to Turkey's repurchase schedule, a payment of $5,000,000 will be due.

Between March 1, 1947, when the Fund commenced operations, and April 30, 1955, the Fund effected transactions equivalent to $1,197.7 million on behalf of 26 members. A summary of Fund transactions is shown in Table 21, and a detailed statement will be found in Appendix III.

Of the total of $686.2 million repurchased by members, $308.2 million were mandatory repurchase obligations in accordance with Article V, Section 7(b), of the Fund Agreement, while $378.0 million represent voluntary repurchases. In the latter, no distinction is made between repurchases offered by members on their own initiative, and repurchases in fulfillment of commitments undertaken on the occasion of drawings in accordance with the Executive Board decision of February 13, 1952, on the use of the Fund's resources. Of the total of $1,197.7 million drawn from the Fund, $807.4 million has been repaid to the Fund either through repurchases by members that had drawn upon the Fund or through drawings by other members of currencies of members that had purchased from the Fund. Of the remaining $390.3 million, $335.4 million falls within the gold tranches of the members concerned. Eleven members, whose currency subscriptions to the Fund exceeded 75 per cent of their quotas, have incurred repurchase obligations which exceeded any previous transactions they had had with the Fund. The total of their repurchases in excess of any previous transactions has amounted to $78.3 million.

TABLE 21. SUMMARY OF FUND TRANSACTIONS FROM THE BEGINNING OF OPERATIONS TO APRIL 30, 1955

(In millions of U. S. dollars)

Member	Currencies Purchased by Fund	Currencies Sold by Fund	Repurchases by Members
Australia	50.0		42.0
Austria			7.5
Belgium	33.0	11.4	21.6
Bolivia	2.5		
Brazil	168.5		103.0
Chile	21.3		12.5
Colombia	25.0		
Costa Rica	1.2		2.1
Czechoslovakia	6.0		
Denmark	10.2		11.0
Egypt	3.0		8.5
Ethiopia	0.6		2.0
Finland	9.5		9.5
France	125.0		20.0
Germany		4.4	45.1
India	100.0		72.4
Indonesia	15.0		
Iran	17.5		8.7
Japan	124.0		61.6
Lebanon			0.9
Mexico	45.0		22.5
Netherlands	75.4		75.4
Nicaragua	0.5		0.5
Norway	9.6		9.6
Paraguay	0.9		0.4
Peru			3.1
Sweden			8.0
Syria			1.4
Turkey	35.0		15.0
Union of South Africa	10.0		10.0
United Kingdom	300.0	191.7	112.0
United States		990.2	
Yugoslavia	9.0		
Total[1]	1,197.7	1,197.7	686.2

[1] Totals may not equal sum of items because of rounding.

The Fund's holdings of gold increased during the fiscal year from $1,718.5 million to $1,744.4 million, as a result of payment by Israel of that part of its subscription payable in gold, of settlement of repurchases by six members, and of payments by other members of various Fund charges.

On April 30, 1955, the Fund's holdings of currencies (including non-negotiable, non-interest bearing notes) amounted to the equivalent of $6,299.7 million, of which $1,608.8 million was in U. S. dollars. Of the other Fund holdings of convertible currencies totaling US$365.5 million, the largest was in Canadian dollars equivalent to US$225 million. The Fund's total holdings of gold and convertible currencies amounted to $3,718.7 million.

At various points of time since the Fund started operations, exchange transactions have raised the Fund's holdings of the currencies of 15 members (including Czechoslovakia which ceased to be a member of the Fund on December 31, 1954) above their quotas. These members therefore became subject to the appropriate charges on balances in excess of quota. On April 30, 1955, 4 members and Czechoslovakia were currently paying such charges to the Fund. During the past year, one member with monetary reserves less than one half of its quota, as well as Czechoslovakia, availed itself of the opportunity provided in the Fund Agreement to pay in its own currency part of the Fund charges that are otherwise payable in gold.

Total charges on balances in excess of quota amounted to the equivalent of $3.8 million in the fiscal year ended April 30, 1954. In the year ended April 30, 1955, the total was $2.0 million.

Computation of Monetary Reserves

Monetary reserves data as of April 30, 1954 have been received from 53 members. Of the three members which have not yet submitted the required reports, one cannot have a repurchase obligation. For the remaining two members, Bolivia and Brazil, the submission of monetary reserves data is necessary to determine whether there is a repurchase obligation as of April 30, 1954, and efforts to obtain the data are being continued.

VII

Gold Production and Prices

Gold Production

Total world production of gold rose in 1954 by the equivalent of about $49 million to the highest level since 1942. Valued at $35 per fine ounce, total output (excluding that of the U. S. S. R. and the countries associated with it) was approximately $895 million in 1954, compared with $846 million in 1953, $852 million in 1952, and $827 million in 1951.

The Union of South Africa accounted for most of the increase; total production rose by $45.4 million, to about $463 million. More than half of this increase came from mines in the Orange Free State, whose output increased by $24.1 million, to $39.3 million. The supply of African labor, which has been a problem in the postwar years, was the highest since 1942; if the current level can be maintained, all mines are likely to benefit through more efficient operation and increased production. The second largest increase in production during 1954 was in Canada, where output increased by $10.4 million, to $152.8 million; it was, however, still below the 1952 postwar peak of $156.5 million. Production increased by about $2 million in the Gold Coast, $1.6 million in Australia, $1.5 million in Japan, $1.2 million in Southern Rhodesia, and about $1 million each in South Korea and in Venezuela. Decreases were recorded of about $3.6 million in the United States, $2.9 million in Mexico, $2.2 million in the Philippines, $2 million in Colombia, and $1 million in Nicaragua.

Labor problems and high production costs continue to cause concern to the gold mining industry in most gold producing countries. The virtual disappearance of the premium in free markets has made the continued operation of marginal mines more difficult and, during the year under review, several members have consulted with the Fund on subsidy proposals designed to benefit gold producers without contravening the Fund Agreement. The following subsidy proposals have been deemed consistent with the objectives of the Fund's statement of December 11, 1947 on gold subsidies.

In June 1954, the Government of the Philippine Republic introduced a subsidy scheme to give financial assistance to above-marginal, marginal, and submarginal gold mines for a period of two years. The amount of the subsidy is related to the presumed economic need of each category of mine. Mines producing gold as their principal product may either sell newly mined gold to the Government through the Central Bank at the official price and receive the appropriate subsidy, or sell gold on the domestic free market without any subsidy.

In October 1954, the Australian Government introduced a plan whereby certain gold producers whose annual output exceeds 500 ounces and who satisfy the conditions prescribed will be eligible during the financial years 1954-55 and 1955-56 for a subsidy per fine ounce equal to three quarters of the excess cost of production over £A 13 10s., provided that the subsidy is not in any case to exceed £A 2 per ounce; and producers whose annual output is less than 500 ounces will be eligible for a flat rate subsidy of £A 1 10s. per ounce. The flat rate subsidy for small producers was adopted for reasons of administrative convenience, in view of their large numbers and of the possibility of imperfections in their cost records.

In January 1955, the Fund also deemed a gold subsidy scheme introduced by Colombia to be consistent with the objectives of the Fund. This plan provided for a temporary subsidy of not more than 20 pesos per fine ounce on not more than 30 troy ounces per month to certain small gold mines and gold pan miners whose production did not exceed 180 ounces of fine gold during the first six months of 1953, and who elect to sell their output to the Bank of the Republic at the official price of $35 per fine ounce, plus the established subsidy. The output of the mines to be benefited by this subsidy is at present about 20 per cent of the total amount of gold produced in Colombia. The total subsidy payable is limited to a monthly appropriation of 80,000 pesos.

In February 1955, the Government of Canada extended the Emergency Gold Mining Assistance Act in a modified form for the calendar years 1955 and 1956. Under the amended formula, a subsidy is provided for eligible mines equal to two thirds of the excess of the costs of production over Can$26.50 per ounce, up to a maximum of Can$12.33 per ounce. The subsidy applies to two thirds of the output of the assisted producers. The new arrangements reduce the subsidy previously available to lower-cost mines, and increase that available to higher-cost mines; the total amount payable is expected to be less than was paid under the previous formula.

Gold Reserves

The total world stock of gold in the possession of monetary authorities (excluding the U. S. S. R. and the countries associated with it, but including the Fund, the Bank for International Settlements, and the European Payments Union) is estimated at $36,500 million as of the end of 1954. The increase during the year was approximately $550 million, compared with an increase of $400 million in 1953 and of $300 million in 1952. As in 1953, a small part of the increase can probably be attributed to sales of gold by the U. S. S. R. to other European countries which occurred during the first quarter of 1954. The percentage of newly mined gold flowing into official monetary reserves during 1954 appears to have been larger than in any other postwar year, and the movement of gold into private hoards has subsided. The major shifts in the distribution of gold reserves during 1954 have been described in an earlier section of this Report.

Gold Sales and Gold Prices

During the year under review, several countries took measures in addition to those reported in the last three Annual Reports of the

Fund to relax restrictions on the sale of gold and the movement of gold through their territories. Italy abolished its 3 per cent import tax on gold, gold alloys, and gold coins which are not legal tender, though gold imports remain a monopoly of the Italian Exchange Office. Switzerland abolished its 4 per cent turnover tax on private purchases of bullion and gold coins from banks, and preparations have been authorized for the minting of 25 and 50 franc gold pieces. In accordance with a decree of May 14, 1953, the Central Bank of Bolivia has placed an order for the minting of gold coins; it plans to exchange the minted pieces for domestic gold received from the Mining Bank or from private individuals. The same decree permits travelers and tourists to export gold coins without restriction. The objectives of these measures are to provide a medium of saving, to promote gold production, and to give employment to miners and other sectors of the population. Gold trading in Germany, which had been banned since before World War II, was resumed on October 19, 1954, when a gold market was reopened in Frankfurt. The Bank deutscher Länder has decreed that, in future, residents will be permitted to engage in transactions in gold coins currently held in Western Germany. The import and export of gold coins remain subject to authorization. These developments, together with those described in previous Annual Reports, indicate that governments have seen increasing advantages in allowing gold to play a more important monetary role. This tendency has been particularly marked in countries whose gold and dollar reserve positions have improved in recent years.

The weakness of the free market price of gold (about $34.95 per fine ounce), together with the strength of sterling (which was then quoted at about £1 = $2.81½), created a favorable environment for the operations of the London gold market, an account of the reopening of which on March 22, 1954 appeared in last year's Annual Report. Other favorable factors were the improvement in the reserve positions of several West European countries, and the desire of some central banks to convert part of their increased dollar holdings into gold at a time when gold producing countries were unable to obtain the premium prices to which they had become accustomed. Before the reopening of the London gold market, central banks had normally bought and sold gold against U. S. dollars mainly through the U. S. Assay Office at parity plus or minus ¼ per cent and, to some extent, by transactions with the Bank for International Settlements or through the facilities offered by the Fund. Prices in the reopened London market were, however, usually more attractive, and central banks therefore tended to prefer to deal there. The London market has received its supplies primarily from the Union of South Africa and other sterling area gold producing countries, and thus has been in a strong position to stand ready to trade, as either buyer or seller, on whatever scale might be required, and to deal actively in monetary gold not only with central banks but also with private and institutional operators abroad.

As trading has developed in London, it has become apparent that, with the maintenance of a floor price for gold by the United States, the effective dollar price of gold in international markets and in monetary gold transactions undertaken by central banks in various centers is now influenced to a large extent by the London "fixing" price of gold in sterling (which is determined by six bullion firms that meet daily to fix the price), converted into U. S. dollars at the current sterling-dollar rate of exchange. This price has varied since the market was reopened between 248s. 3½d. and 251s. 11d. per fine ounce; it has generally moved with the sterling-dollar rate of exchange. The dollar equivalent of the fixing price converted at the dollar rate ruling in London at the time of the fixing has fluctuated between $35.03 and $35.11 per fine ounce.

When in September 1954 the London gold price rose above 250s. 7½d. (which corresponds to parity plus ¼ per cent), the Bank of England considered that it was precluded from intervening in the market, since, under Article IV, Section 2, of the Fund Agreement and under Rule F-4, a Fund member cannot buy gold at a price in excess of ¼ per cent above par value or sell it at a price below ¼ per cent under par value, exclusive of certain specified charges. In order to facilitate the maintenance of an orderly market without violating the provisions of the Fund's Rules and Regulations, the United Kingdom asked the Fund to consider an amendment of

Rule F-4 which would make 1 per cent of parity, the margin prescribed in the Articles of Agreement for exchange transactions, also the prescribed margin for gold transactions. On October 15, 1954, the Fund adopted an amendment of Rule F-4 to be effective until November 15, 1954, when member governments would have an opportunity to reconsider it. The rule as amended provided that, for transactions in gold by a member, the margin above or below par shall be, at the option of the member, either (1) ¼ per cent plus certain prescribed charges or (2) 1 per cent, which 1 per cent shall be taken to include all of these charges. On November 5, 1954, the Fund decided that this amendment should continue to be effective after November 15, 1954. The minimum price at which the Bank of England can sell and the maximum price at which it can buy gold in London have thus been changed from 249s. 4½d. and 250s. 7½d. per fine ounce, respectively, to 247s. 6d. and 252s. 6d. The amended Rule, which was circulated to all Fund members, is reproduced in Appendix IV.

The price at which gold is traded in other markets directly for U. S. dollars remained within a few cents per fine ounce of the London dollar price throughout the year under review. In Zürich, the dollar price fluctuated between a low of $35.03 and a high of $35.13, and at the end of April was quoted at $35.04.

Because of the special characteristics of each market, the prices for bullion elsewhere did not necessarily follow the day-to-day movements of London prices; however, fluctuations were narrower than in recent years. In Paris, the price of bullion rose from a low for the year of 414,000 francs per kilogram on May 3, 1954 to a high of 435,000 francs on August 26 and was quoted at 428,000 francs on April 29, 1955. When converted into U. S. dollars at the parallel market franc-dollar rate, the price of bullion per fine ounce was equivalent to $35.87 on May 3, 1954, $35.60 on August 26, and $36.17 on April 29, 1955. The U. S. dollar equivalent price of bar gold in Beirut declined from a high of $35.44 per fine ounce on May 14, 1954 to $35.04 on December 13 and was $35.31 on April 30, 1955. In Hong Kong, the U. S. dollar equivalent price declined from $38.75 on June 8, 1954 to $37.93 on February 28, 1955 and was $38.11 on April 29.

With the rigid restrictions on imports and exports of gold in India, the price of gold in the Bombay gold market continues to be determined principally by local supply and demand conditions and is therefore not materially affected by the prices at which gold is dealt in elsewhere. The Bombay price rose from Rs 83-4 per tola (equivalent to $46.62 per fine ounce at the official rate of exchange) on June 19, 1954 to a high of Rs 98-12 ($55.30 per fine ounce) on April 30, 1955.

As in the previous year, there was a general decrease in the prices of gold coins in most free markets during the year under review. The U. S. dollar equivalent price of the sovereign fell by about $2.30 per fine ounce in Brussels and about $1 in Beirut, Paris, and Milan, to prices in these four markets equivalent to about $39 per fine ounce. The price of the napoleon also declined in Milan by the equivalent of $3.50 per fine ounce, in Paris by $3, and in Beirut by $1, to prices equivalent to about $36.75 per fine ounce.

Gold Transaction Service

During the year under review, the Fund facilitated the completion of only 3 transactions in gold, amounting to a total of about $4 million (compared with 32 transactions, amounting to a total ot about $299 million, during the two previous years). There was a continuous demand during a large part of the year to purchase gold through the facilities of the Fund but, as a rule, the Fund was not able to find offers of gold to meet these requirements. Several members that had previously used the Fund's facilities to sell gold have since become buyers and, primarily as a result of the reopening of the London market, other members have changed their methods of marketing gold. Central bank requirements of gold have, for the most part, been met by the United States or by the London gold market.

VIII

Exchange Policies

Changes in Par Values

During the fiscal year ended April 30, 1955, one change in a member's par value was made in agreement with the Fund. On August 18, 1954, the Fund concurred in a proposal by the Government of *Paraguay* for a change in the par value of the Paraguayan guaraní from 15 guaraníes to 21 guaraníes per U. S. dollar. About the same time, significant modifications, which reflected the change of par value, were made in Paraguay's system of multiple exchange rates. The main effect of these modifications was an upward revision of the effective selling rates amounting to 6 guaraníes per dollar for the most important import categories. This move was designed to overcome the inflationary effects which the operations of the exchange system had increasingly produced as effective export rates had been subjected to upward adjustments. Inflationary conditions, the effects of which had been accumulating for some time, led to substantial increases in minimum prices for agricultural products and in minimum wages early in 1954. All these factors had contributed to a monetary expansion which the exchange rate adjustments were intended to correct. The decline of foreign exchange reserves had also had a contractionary effect throughout the period under review, and the increase in prices and money supply proceeded at a slower rate in 1954 than in previous years. More recently, however, there have been further readjustments of minimum wages and of minimum prices for agricultural products which may tend to offset to some extent the contractionary effects anticipated from the exchange budget for the year 1955.

Other Developments in Exchange Rates and Exchange Policies

There are still seven Fund members, China, Greece, Indonesia, Israel, Italy, Thailand, and Uruguay, with which initial par values have not yet been agreed with the Fund. In 1948, France changed the agreed par value of its currency, and it has not yet agreed with the Fund on an authorized par value. Two other members, Canada and Peru, have decided that temporarily their exchange rates cannot be maintained within the specified margins of the par value agreed with the Fund. For several other members the proportion of their total international transactions that is carried on at exchange rates governed by the established par value is small.

The *Sixth Annual Report on Exchange Restrictions* gives details of the changes in 1954 in the exchange policies and practices of these and of other countries. In the countries which are noted below, developments during the past year have been of sufficient general interest to be recorded also in this Annual Report. (Developments in the transferable sterling market are noted in Chapter II.)

In *Canada*, the dollar exchange rate during 1954 averaged Can$1.00 = US$1.027, the highest rate quoted during the year exceeding the lowest by about 2.5 per cent. The payments structure observed in earlier years was maintained in 1954, a current account deficit of $431 million, which was almost the same as the deficit of the previous year, being financed by a continuing net inflow of capital. Receipts of long-term development capital in 1954 as a whole were less than in 1953, but the short-term capital outflows which had characterized most of 1953 very nearly ceased in 1954, so that the effects of these two movements upon the balance of payments more or less offset each other.

An important factor in the decline of the Canadian exchange rate from US$1.0275 in December 1953 to US$1.016 in May 1954 was a seasonal deterioration in the current account position; the deficit increased to $355 million in the first half of 1954, from $63 million in the second half of 1953. Long-term capital receipts declined sharply during the second quarter of 1954, with the virtual cessation of Canadian flotations in New York following a narrowing of the spread between Canadian and U. S. interest rates. By December, however, the exchange rate had recovered to US$1.033, as the current account deficit was reduced to $66 million in the second half of the year. Long-term capital receipts declined further during the third quarter, but heavier direct investment and purchases of Canadian stocks were responsible for an increased inflow in the fourth quarter, despite net redemptions of Canadian securities held abroad. For 1954 as a whole, there was a small outflow of short-term capital, although there were substantial inflows during the second quarter which moderated the effects of other pressures on the exchange rate at that time. There were continued net sales of Canadian bonds to Canadians by nonresident holders, probably as a result of the relative decline in Canadian yields compared with U. S. yields, but nonresident holdings of Canadian dollars increased.

During the first four months of 1955 the exchange rate declined, as a result partly of current account developments and partly of a further decline in Canadian interest rates relative to U. S. rates. The decline in Canadian rates included a reduction of the bank rate on February 14, from 2 per cent to 1½ per cent. On April 30, 1955 the exchange rate was quoted at US$1.012.

The Canadian Minister of Finance stated in Parliament on April 5, 1955 that there had been no change in the policy of the Canadian Government to allow the rate of exchange to be determined by the sum total of the forces operating in the exchange market, including the influence of fiscal and monetary conditions. The resources of the Canadian exchange fund, he said, were not used to reverse persistent trends, but only to contribute to orderly conditions by limiting excessive short-run movements in either direction which might otherwise occur. Canadian official holdings of gold and U. S. dollars rose by US$124 million during 1954, and at the end of December amounted to US$1,943 million. Most of the increase occurred during the second half of the year when the Canadian dollar rate was rising. In February 1955 the Canadian Government repurchased US$50 million of its bonds in New York. On April 30, 1955 reserves were US$1,871 million.

In *Peru*, the implementation of the stabilization program, described in last year's Annual Report, was one of the factors underlying the tendency throughout the period under review toward a stronger exchange rate for the sol. During the second and third quarters of 1954 the prevalent tendency was in favor of stability, rate fluctuations in any given short period being moderate. Thus, in the certificate market, which covers most trade transactions, the monthly average rates up to September 1954 ranged between 19.50 soles and 19.25 soles per U. S. dollar. Thereafter a tendency toward appreciation was more evident, and since the latter part of October the rate has been stable at 19.00 soles. The rate in the "free" or "draft" market, in which capital transactions and most payments for invisibles take place, followed rather closely the movements of the certificate rate, with a monthly range from 19.95 soles to 19.72 soles through August. The spread between the two rates subsequently narrowed further, the free market rate averaging 19.43 soles in September 1954 and 19.06 soles in April 1955. The Central Reserve Bank has continued limited stabilization operations in the exchange market in line with the objectives previously formulated. The strengthening of the rate was associated with an improvement in Peru's domestic and external finances, brought about partly by the measures of stabilization taken by the authorities in the exchange, monetary, and fiscal fields and partly by favorable developments in prices and world demand for some of Peru's major export products. The increase in exports and contraction in imports in 1954 were almost sufficient to eliminate the large import surplus of previous years; the trade improvement continued in the first quarter of 1955, particularly with a further increase in exports. The decline in import demand in 1954 was associated with the depreciation of the sol that had taken place during 1953. Import demand was also affected by the reduced rate of monetary and income expansion resulting from the budgetary improvement attained by postponing public investments and increasing tax revenues, and from the moderate credit policies of the banking system. The Central Reserve Bank's rediscounts and credit facilities extended to the commercial and development banks were curtailed, and credits to the Government expanded less than in previous years. The commercial banks also reduced their lending operations, and the comparative tightening of the money market may have discouraged inventory accumulation.

It was against this background of progress and stabilization that the stand-by facilities made available to Peru by the Fund, the U. S. Government, and a U. S. commercial bank were extended for another year, as recorded elsewhere in this Report.

No basic changes were made during the year in the exchange rate structure of *Uruguay*. Monetary expansion was more moderate than in 1953, but wage increases and higher domestic costs of imported goods contributed toward sustaining the inflationary pressures. The cost of living rose at a somewhat accelerated rate. Considerable use was still made of ad hoc exchange measures, in the form of rate "mixing" and compensation and similar arrangements, to strengthen the position of certain exports in the face of rising domestic costs of production. For example, in July 1954 the exchange rate applied to rice exports was raised from 1.90 pesos to 2.35 pesos per U. S. dollar, in addition to a subsidy of 5.25 pesos per 100 kilograms granted to these exports; and in February 1955 the effective rate for wool tops was raised from 1.967 pesos to 2.026 pesos per dollar. Various exchange surcharges on import goods considered nonessential have been used extensively as a source of revenue in order to finance subsidy payments on exports of high-cost products, such as rice, linseed oil, woolen textiles, and leather goods. These surcharges raised the effective exchange rates on some nonessential and luxury imports from 2.45 pesos to 3.50 pesos per dollar. The rate for essential imports is 1.90 pesos, and an exchange tax of 6 per cent is payable on all but a few such imports.

In the free market, which is confined to capital and invisible transactions but is otherwise unrestricted, the exchange rate fluctuated between 3.12 pesos per dollar (at the end of April 1954) and 3.36 pesos (in July); it was about 3.14 pesos in April 1955. The Bank of the Republic frequently entered the market as a seller of exchange in order to support the free market rate, which on the whole tended to decline. This may be attributed mainly to the inflationary forces in the Uruguayan economy, to a balance of payments position somewhat weaker than that of the previous year, and to speculation arising from the establishment of higher effective exchange rates for nonessential and luxury imports.

Throughout the year reviewed, *France* and *Italy* again maintained the same official exchange rates that had been established shortly after the devaluation of September 1949. The rate for the French franc was 349.50-350.00 per U. S. dollar, and the rate for the Italian lira, 625 per dollar. The official exchange rate in *Greece* was maintained at 30 drachmas per dollar, the rate established in May 1954 when all Greek prices and claims were simultaneously reduced in the proportion of 1,000 to 1. Supplementary exchange measures that are still in effect—relating to most exports of olive oil and to exports or imports of cotton—produce, for a very small part of Greek foreign transactions, effective rates of 27-28 drachmas per dollar.

In *Thailand* in 1954, the average free market exchange rate in relation to the dollar moved from 20.97 baht to 21.24 baht, and in relation to sterling from 57.92 baht to 58.02 baht. The increase in world rice supplies lowered Thai rice exports in 1954 to a level some 30 per cent below the 1950-53 average. The balance of payments position in 1954 thus continued weak, as it had been in 1953. Since the outlook for rice exports in 1955 did not appear much better, the Thai authorities introduced, effective January 1, 1955, far-reaching changes in their rice export arrangements, which included a broad shift of rice marketing from government control to private channels. The officially established "standard prices" of rice, i.e., the amount of foreign exchange per ton exported that had to be surrendered to the Bank of Thailand at the official rate, had previously been very close to the world market price so that practically no exchange was left to exporters for disposal in the free market and the official exchange rate remained the effective rate for rice exports. Under the new arrangements these standard prices were reduced to a level considerably below current market prices so that, in effect, a mixed exchange rate became applicable to rice exports. Beginning in March 1954 the Bank of Thailand's sales of exchange at preferential rates (16.07 baht per U. S. dollar and 45 baht per pound sterling) for imports of essential goods had been progressively reduced, and the scope of the free exchange market had thus been widened; these sales ceased altogether when the reduction in the standard prices of rice reduced the volume of foreign exchange that became available to the Bank at low rates. All exchange for imports except government imports, and all exchange for invisible payments except approved student remittances, now have to be acquired in the free market. Reserves ceased to fall in mid-1954, and increased a little in the last quarter of 1954 and early 1955. The dollar-sterling cross rate, which in April 1954 was approximately at parity, thereafter declined, and in March 1955 was £1 = $2.76. The official exchange rate remains unchanged at 12.50 baht per dollar, but on March 18, 1955 the Bank of Thailand revalued its monetary reserves at the rate of 20 baht per dollar.

In *China* (Taiwan) a new exchange certificate system was introduced on March 1, 1955. In 1954 exporters of certain commodities, such as cotton piece goods, had been permitted to retain for specific purposes 72 per cent of the exchange arising from their exports, but this arrangement was abolished with the introduction of the exchange certificate system. In June 1954 the 20 per cent defense tax on private imports introduced in September 1953 was extended to most other exchange purchases. Under the new certificate system, the Bank of Taiwan's exchange rate of NT$15.60 per U. S. dollar continues to be applied to government exports and imports in connection with approved industrial and development projects; to specified exports such as sugar, rice, and salt, and essential consumer imports; and to inward and outward remittances connected with these imports and exports or with government expenditures. For all other exchange transactions, exchange certificates are issued or required in addition to the exchange settlement at the Bank of Taiwan rates. For invisibles and for imports other than those mentioned above, the amount of exchange certificates issued or required is equivalent to the value of the transaction. The amount of exchange certificates issued to exporters is calculated as a percentage of export proceeds varying according to the category of the goods exported. The Bank of Taiwan is authorized to buy and sell exchange certificates at fixed prices to be announced. The price announced on March 10, 1955 was NT$6.00 per dollar.

In *Iran*, there were larger foreign exchange receipts from U. S. aid and from the oil industry, and the exchange certificate rates applied to commercial transactions and to invisibles were appreciated by stages. The commercial selling rate, which was Rls 90.50 per U. S. dollar in December 1953, moved to Rls 84.50 in August 1954 and to Rls 79.50 in February 1955 (to be lowered to Rls 76.50 later in the year). The rate applying to most noncommercial transactions was also appreciated by stages, and the changes introduced in February 1955 involve a unification of this rate with the commercial rate. The certificate rates for Category II imports are, as previously, determined in the free market, and the other principal features of Iran's exchange system have been maintained.

Since the beginning of 1954, the authorities in *Lebanon* have adopted the policy of preventing the free market dollar exchange rate from falling below LL 3.20. There has been no interference with movements in the other direction, which have sometimes brought the rate to LL 3.26. The number of commodities subject to restrictive import license was greatly reduced in 1954 and early 1955, import duties on goods exempted from restrictive licensing being increased at the same time.

In *Syria* fluctuations in the free market rate were insignificant, the rate remaining fairly steady at LS 3.56-3.57 per U. S. dollar.

Effective July 16, 1954, *Belgium-Luxembourg* and the *Netherlands* took important measures to free capital movements between their countries. In order to prevent such transactions from affecting the positions of these countries in the European Payments Union, they were to be effected in free markets outside the EPU clearing mechanism; certain current payments not connected with trade were also permitted to be made through the free markets. Prior to the introduction of the free markets, the Benelux countries informed the Fund of their intention, and no objection was raised by the Fund to the proposed system as a temporary measure. The deviations of the free market rates from the official rates have in fact been small. In the

Netherlands, the new measures applied only to capital movements to and from Belgium-Luxembourg.

In Belgium-Luxembourg, on the other hand, it was made possible for residents not only of the Netherlands but of all other EPU countries to invest in Belgium-Luxembourg or to acquire securities (including dollar securities) traded in the BLEU via special financial accounts that were freely transferable between residents of EPU countries. On April 1, 1955, Belgium-Luxembourg extended these facilities to all nonresidents, including residents of dollar area countries. On May 1, residents of Belgium or Luxembourg, who could already deal in non-dollar currencies and in dollar securities in a free market, were allowed to engage also in free market operations in dollars for certain capital and current transactions, and nonresidents were enabled to convert their financial accounts into dollars via this free market in Belgium-Luxembourg. These measures in practice established resident and nonresident convertibility of Belgian and Luxembourg francs for capital transactions at free market rates. The Fund, informed of the various measures prior to their introduction, raised no objection to their temporary use.

Sweden introduced in October 1954 an arrangement under which import licenses are granted freely for certain goods originating in the dollar area. Imports under this arrangement may be made via a non-dollar country provided that payment is made in conformity with the regulations governing payments to such countries, or directly from the dollar area against payment in "transit dollars" purchased at a premium from Swedish commercial banks. These transit dollars have been acquired in both member and nonmember countries.

In *Brazil*, as related elsewhere in this Report, inflationary influences became stronger during the year. Its international payments position was affected by a marked deterioration in the dollar sector of the balance of payments. Imports continued high. The value of coffee exports to the dollar area fell sharply, in spite of higher coffee prices, and as a result there was a serious dollar deficit. The deficit was met largely by the use of short-term credits, and by a one-year financing operation arranged with the Federal Reserve Bank of New York in October 1954. Mainly for the purpose of gradual refunding of this special credit, Brazil subsequently obtained a five-year loan of US$200 million from a group of U. S. commercial banks. Early in 1955 Brazil also obtained an additional US$75 million loan from the Export-Import Bank of Washington.

The payments position in other currencies was more favorable as trade with Europe expanded in both directions, partly as a result of a significant increase in cotton and cocoa exports. Of the two principal short-term debts, the sterling arrears were reduced by the annual payment under the Anglo-Brazilian Arrears Agreement, and the West German payments agreement debt was to a large extent repaid.

The Brazilian exchange system underwent a number of modifications in the past year, but the basic mechanism, with the system of exchange auctions for imports and bonuses for exports, was not changed. The fixed bonuses granted to exports were temporarily replaced by a system of export premiums fluctuating in response to movements of the free market rate, but after a few months fixed bonuses were restored for coffee. These measures involved a substantial devaluation of the effective export rate structure. In January 1955 there was a further increase in cruzeiro export premiums, when exports were classified into four categories, with fixed bonuses applying to each class. (Subsequently, identical bonuses were granted to Categories I and II.) Under this system the bonuses for exports in convertible currencies or in sterling, Cr$18.70, Cr$24.70, and Cr$31.70 per U. S. dollar, differ from those set for exports in other currencies, Cr$17.19, Cr$22.95, and Cr$29.67. The resulting effective rates for export exchange were, depending on the currency, Cr$37.06 or Cr$35.55 for exports of coffee, raw cotton, pine lumber, cocoa, and a few other products; Cr$43.06 or Cr$41.31 for exports of hides, piassava, castor seed, etc.; and Cr$50.06 or Cr$48.03 for all other exports.

With the progressive reduction of the amounts of dollars offered at auction, the price of "dollar certificates" for the five categories of imports rose sharply during the year. Average quotations for 120-day delivery U. S. dollar certificates in Rio de Janeiro at the end of April 1955 were as follows (with comparative figures for April 1954 shown in parentheses): Category I, Cr$69.59 (Cr$28.07); Category II, Cr$80.05 (Cr$24.21); Category III, Cr$175.23 (Cr$50.59); Category IV, Cr$171.50 (Cr$80.20); and Category V, Cr$290.90 (Cr$120.25). In general, the prices of dollar certificates were considerably above those of certificates in other currencies.

As a result of the factors mentioned above, the cruzeiro also showed continued weakness in the free market. The free market rate rose from Cr$51.25 per dollar at the end of April 1954 to Cr$80.64 at the end of April 1955.

In *Chile* there had been some progress in the last quarter of 1953 and early 1954 toward the unification of its multiple exchange rate structure. In the period under review, however, the Chilean authorities resorted to ad hoc measures, such as exchange rate mixing, exchange retention, and other devices, which by a selective *de facto* devaluation of the peso gave relief to a number of minor exports. Some nonessential imports were similarly subject to special arrangements, which were equivalent to more depreciated exchange rates.

Inflationary forces arising largely in the public sector of the economy increased in strength, and rising domestic costs of production impaired the competitive position of certain exports, especially minor exports. Throughout the year, Chile's payments position was under severe strain, the effects of the inflationary forces being aggravated by an exchange rate structure which neither restrained import demand sufficiently nor permitted a normal flow of exports. There was a considerable accumulation of short-term obligations to foreign suppliers, though an improvement in the U. S. price of copper in early 1955 promised some relief from balance of payments pressures.

Exchange rates were significantly adjusted in November 1954, when the principal rate for the U. S. dollar, the so-called "banking free market rate," which applies to the major exports and imports, was raised from 110 pesos to 200 pesos per dollar. The par value of 110 pesos continued to apply to a limited number of the most essential imports, such as raw sugar, cotton, petroleum products, medicines, and to government services. At the same time, the

Government instructed the commercial banks to operate in currencies other than the U. S. dollar at rates not higher than the equivalent of 200 pesos per dollar. Previously, the rates for inconvertible currencies, including sterling, deutsche marks, and cruzeiros, had been substantially free from control and some of them had at times been quoted at higher levels. Under the new arrangement they are permitted to fluctuate only up to the established ceiling, and the disparity between the dollar rate and the rates for other currencies will thus be considerably narrowed. The fluctuating rate in the brokers' free market, which is used primarily for invisibles, also depreciated.

In May 1955, legislation to regulate the position of the large copper companies, generally along the lines mentioned in last year's Report, became effective. The special buying rate of 19.37 pesos per dollar, which had applied to the local currency purchases of these companies, was eliminated and the companies henceforth will obtain their local currency requirements at the banking rate, presently 200 pesos per dollar. The abandonment of this special buying rate, which had largely constituted a form of taxation, was linked with a broadening of direct taxes applicable to the copper producers. The new law provides for a graduated profits tax, which is so arranged as to provide an incentive for increased production of copper.

Exchange receipts and international reserves of *Colombia* rose rapidly during the first eight months of 1954, largely as a result of favorable coffee prices. National income, economic activity, and imports expanded at the same time. After a sharp drop in coffee prices in August, coffee exports declined severely, while import demand continued high, and the subsequent decline of reserves largely offset the accumulation of the earlier part of the year. Measures were taken in October to restrict imports; these measures included the doubling of the stamp tax applicable to some imports and an increase in prior deposit requirements. There was a substantial accumulation of commercial arrears, and the granting of exchange for imports already ordered was temporarily suspended. Toward the end of the year, while further measures were being prepared, Colombia drew on the resources of the Fund, as reported elsewhere in this Report, in an effort to put its exchange payments on a current basis.

By the end of February 1955 Colombia's commercial arrears had been largely paid off. However, a further drop in coffee prices in the same month, and the fact that import demand did not decline sufficiently, necessitated more severe measures. Imports were classified into five categories to which stamp taxes ranging from 3 per cent to 100 per cent were applied, and a list of prohibited imports also was announced. In addition, in order to support coffee exports, the effective exchange rate applicable to such exports was raised from 2.385 pesos to 2.50 pesos per dollar, the official rate previously applied to most other transactions. This was also the rate which it had been intended ultimately to establish through the monthly devaluation of the coffee rate initiated in October 1951 and temporarily suspended in January 1954. Moreover, a minimum price was established for domestic coffee sales, and the National Federation of Coffee Growers undertook to purchase coffee at a price slightly above this minimum. Reserve requirements on demand and time deposits were increased for a time, and an additional reserve requirement of 40 per cent was imposed on new deposits. During the early part of 1955 coffee exports were somewhat smaller than during the same period of 1954 and, as the measures for restraining imports had not yet had time to produce appreciable effects, reserves continued to decline. A slackening of import demand was reported in April 1955, apparently in response to tighter monetary conditions.

In the *Philippine Republic*, the 17 per cent tax on sales of foreign exchange, which was first imposed in March 1951, was extended to June 30, 1955, in order to avert a sizable budget deficit. This, the third extension of the exchange tax, was approved by the Fund in June 1954.

Toward the end of 1954, the 80 per cent import surcharge and export premium in *Israel* were extended to cover all commercial transactions, and at the same time subsidies ranging from I£0.50 to I£1.55 per U. S. dollar were introduced on payments for certain essential imports.

In *Japan* the percentage quota of their export proceeds which exporters are permitted to use for specific purposes under the retention quota system, which in August 1953 had been extended to all exports, was reduced, as from March 1, 1955, from 10 per cent to 5 per cent.

Improvements in the foreign exchange position of *Egypt* led to some relaxations of exchange restrictions. Arrangements for imports involving payments in "export pounds" were terminated, and outstanding balances under the "export pound system" are being liquidated. Sterling was made available at the official exchange rate for certain essential industrial items imported from countries accepting sterling, except payments agreement countries. Procedures governing specified payments to the dollar area countries, Switzerland, and Western Germany were liberalized susbtantially. Imports from the dollar area are no longer restricted to essential commodities. U. S. dollar proceeds from certain exports were exempted from the surrender requirements previously applied. The lists of prohibited exports and of exports subject to quota restrictions were reduced. On the other hand, more commodities were added to the list of goods giving exporters against sterling or dollars or to Western Germany "entitlement" to 100 per cent of their proceeds under the "import entitlement account system." Quotations in the free market for these entitlements represent premiums that have recently increased.

Among the changes made in the exchange system of *Yugoslavia* during 1954 was the increase from 50 per cent to 90 per cent of the exchange surrender requirements for proceeds from exports. Since most of the exchange surrendered to the National Bank is allocated for essential imports at administratively established exchange rates, the previous broad scope of the exchange transactions taking place in the free market has been reduced considerably.

Despite continued inflation, the *Republic of Korea* has maintained the official exchange rate of 180 hwan per U. S. dollar which was formally adopted in December 1953. However, certain free market rates have depreciated. In October 1954, the Government began selling foreign exchange to the public at auction through the Bank of Korea. The average rate of the auction bids on December 31, 1954 was 379 hwan per dollar. An agreement of November 17, 1954 between the U. S. and Korean Governments established 254 hwan per dollar as the exchange rate for repayments of hwan debts due in June, July, and August 1954, and 310 hwan per dollar for repayments due in September, October, and November 1954. It was further agreed that the U. S. Forces in Korea would be allowed to auction dollars to the public through the Bank of Korea to meet hwan requirements. The weighted average rate bid at these auctions has varied from time to time. It was 256 hwan per dollar on November 29, 1954, 427 hwan on December 13, 1954, and 521 hwan on January 10, 1955.

IX

Membership, Organization, and Administration

Membership and Organization

Israel became a member of the Fund on July 12, 1954, with a quota of $4.5 million.

Terms and conditions for the membership of Afghanistan and of the Republic of Korea were approved by the Board of Governors at the Ninth Annual Meeting. At the requests of both countries, the period of acceptance has been extended until September 30, 1955.

Czechoslovakia ceased to be a member of the Fund as of the close of business December 31, 1954, pursuant to the terms of the Board of Governors' Resolution No. 9-8 adopted September 28, 1954. The Resolution stated in part:

> That, pursuant to Article XV, Section 2(b), of the Articles of Agreement of the Fund, Czechoslovakia be, and hereby is, required to withdraw from membership in the Fund, such withdrawal to be effective at the close of business on December 31, 1954; provided, however, that if the Executive Directors determine that Czechoslovakia shall have prior to December 31, 1954 supplied the Fund with the information required under Article VIII, Section 5, and shall have entered into consultation with the Fund under the provisions of Article XIV, Section 4, this Resolution shall be of no force and effect.

The requirements of the Resolution were not complied with by Czechoslovakia within the time stipulated. On January 5, 1955 the Executive Directors took note of the situation and directed that the proper procedure be started to settle all accounts between Czechoslovakia and the Fund.

Czechoslovakia's subscription was $125 million. Of this amount, $122.63 million was paid in korunas and $2.37 million in gold. A purchase in 1948 by Czechoslovakia of $6 million in U. S. dollars and other items have raised the Fund's holdings of korunas to $128.79 million.

In November 1954 the Fund was notified by France and India that the administration of the French possessions in India had been transferred to the Government of India as a consequence of an agreement between the Governments of India and France dated October 21, 1954. Accordingly, the Government of India assumed the responsibility for these territories insofar as the rights and obligations of the Bretton Woods Agreement are concerned.

There are now 56 members of the Fund and the aggregate of quotas is US$8,728 million. The members of the Fund, their quotas, voting power, Governors, and Alternate Governors are shown in Appendix V. Changes in the membership of the Board of Governors during the year are shown in Appendix VI. The Executive Directors of the Fund and their voting power as of April 30, 1955 are shown in Appendix VII. Changes in membership of the Executive Board during the year are shown in Appendix VIII.

Relations with Members

During the year under review the staff, as in the past, has paid numerous visits to member countries for the purpose of exchanging views and information, engaging in consultations under Article XIV, Section 4, and furnishing technical assistance. Through these meetings from time to time with monetary authorities in their own countries, the Fund's understanding of the problems of its members is enhanced and, consequently, the Fund is in a better position to respond promptly to any request made to it. Such meetings also provide opportunities to make available the results of the Fund's experience in dealing with questions which may be of concern to the member.

During the period from May 1, 1954 through April 30, 1955, representatives of the staff visited 39 member countries for various purposes. In addition, 4 members of the staff were granted leave without pay for special assignments, and 2 other staff members were loaned to a nonmember government. The Fund is glad to make available the services of its staff, when possible, and is encouraged to do so by the constructive results that in the past have followed from such associations.

Training Program

The program for training junior officers from the ministries of finance and central banks of member countries has now been in operation for five years. The number of candidates for the program has each year considerably exceeded the number of positions available; some 80 nationals of 46 member countries have now studied the organization, operations, and objectives of the Fund, have received training in balance of payments and other statistical and research techniques, and have studied the economies of selected countries and regions. The courses have usually included subjects specially selected to meet the requirements of individual participants. The trainees spend some time working with the staff on individual projects, and have an opportunity to acquire by practical application a firsthand knowledge of the methods and procedures developed by the Fund. The next twelve-month training program will begin in September 1955.

Information

Publications during the year include the *Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1954* (Ninth Annual Report), the *Fifth Annual Report on Exchange Restrictions*, Volume IV, Nos. 1 and 2, of *Staff Papers*, and Volume 5 of the *Balance of Payments Yearbook*. The publication of the Yearbook in loose-leaf form has increased its usefulness to correspondents and subscribers. Revisions have also been made in the monthly *International Financial Statistics*, with a view to clarifying the presentation of data and facilitating reference. The weekly *International Financial News Survey* continues to receive wide distribution. *Direction of International Trade* is published jointly with the International Bank for Reconstruction and Development and the Statistical Office of the United Nations.

Relations with Other International Organizations

In addition to its special relationship with the International Bank for Reconstruction and Development, the Fund has continued to maintain close relations with the United Nations and its regional and technical bodies and with other international agencies, particularly the Organization for European Economic Cooperation (OEEC), and the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (GATT). These relations involve direct working contacts with the staffs of these agencies, the preparation of studies and reports on subjects within the Fund's field of competence, and official participation in meetings of their intergovernmental organs. The participation of a Fund mission in the Ninth Session of the GATT, in connection with the review of the General Agreement, has been reported in Chapter V. Representatives of the Fund have attended the General Assembly of the United Nations and meetings of the Economic and Social Council, the Economic Commissions for Asia and the Far East, for Europe, and for Latin America, the Administrative Committee on Coordination, and the Technical Assistance Board. At the 19th Session of the Economic and Social Council in March 1955, the Managing Director presented a report on the Fund's activities for the preceding year. The Fund was represented by the Deputy Managing Director at the Annual Meeting of the Council of OEEC in January 1955. Representatives of the Fund have also attended meetings of the Bank for International Settlements, the Food and Agriculture Organization, and the Inter-American Economic and Social Council. Studies were presented to the Fourth Conference of Technicians of Central Banks of the American Continent, the Working Group of Experts on Payments Problems in the ECAFE Region, the Working Party on Financial Aspects of Economic Development Programmes in Asia and the Far East, and the Fourth Meeting of the Inter-American Economic and Social Council.

Administration

At the end of the fiscal year, the Fund staff numbered 428, including nationals of 40 countries. The total includes 14 temporary employees and 7 on extended leave. This marked a net reduction of

10 staff members over the year. The turnover was moderate, there being 45 new appointments involving nationals of 16 countries. The management is continuing its efforts to broaden the geographical distribution of the staff consistently with efficiency, and particularly to recruit new staff members from underdeveloped countries, even if only for relatively short periods.

The administrative budget approved by the Executive Directors for the period May 1, 1955 to April 30, 1956 is presented in Appendix IX. A tabulation comparing the budget with actual expenditures for the fiscal years 1954 and 1955 and a comparative statement of the Fund's income are attached. Actual expenditures during the past year were less than the approved budget by approximately $110,000.

The Executive Board requested the Governments of Australia, the Federal Republic of Germany, and Turkey to nominate members of the Audit Committee. The following nominations were made and confirmed: Mr. Lindsay G. D. Farmer, Chief Auditor in New York for the Commonwealth of Australia; Mr. Josef Heiliger, Director of the Procedures and Auditing Department of the Bank deutscher Länder; and Mr. Münir Mostar, Financial Counselor of the Turkish Embassy in Washington, D. C. The report of the Committee is submitted separately. Appendix X gives the Auditors' Certificate, together with the audited Balance Sheet as of April 30, 1955, the audited Statement of Income and Expenditure, with supporting schedules, and audited financial statements of the Retirement Fund.

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APPENDICES

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Appendix I

LETTER OF MANAGING DIRECTOR TO ALL MEMBERS AND EXECUTIVE BOARD DECISION ON BILATERALISM

June 27, 1955

Sir:

I transmit to you herewith the policy decision on bilateralism adopted by the Executive Board on June 22, 1955. In so doing, I invite your attention particularly to the request it contains for the full collaboration of all Fund members to reduce and to eliminate as rapidly as practicable reliance on bilateralism.

The Fund believes that efficient collaboration to this end would be increased if members would now review their bilateral practices and arrangements which contain an element of exchange discrimination. This review would usefully serve as a preparation for consultations with the Fund during the year under Article XIV, and also for the close cooperation referred to in paragraph 3 of the attached policy decision.

Very truly yours,

/s/

IVAR ROOTH
Managing Director

POLICY DECISION ON BILATERALISM

1. This decision records the Fund's views on the use of bilateral arrangements.

2. Fund policies and attitude on bilateral arrangements which involve the use of exchange restrictions and represent limitations on a multilateral system of payments are an integral part of its policy on restrictions. This policy aims at the elimination of foreign exchange restrictions and the earliest possible establishment of a multilateral system of payments in respect of current transactions between

members. The Fund's policies and procedures on such restrictions rest on Articles I, VIII and XIV of the Fund Agreement.

3. Certain members have already taken steps to reduce their dependence on bilateral arrangements, but many members still use them. The Fund welcomes the reduced reliance on these arrangements and believes that the improvement in the international payments situation makes it less necessary for members to rely on such arrangements. The Fund urges the full collaboration of all its members to reduce and to eliminate as rapidly as practicable reliance on bilateralism. In this respect the Fund recommends close cooperation of those who plan to make their currencies convertible in the near future. Unless this policy is energetically pursued by all countries, both convertible and inconvertible, there is serious risk that widespread restrictions, particularly of a discriminatory character, will persist. Moreover, the persistence of bilateralism may impede the attainment and maintenance of convertibility. This whole problem is one not only for countries which maintain bilateral arrangements but also for other countries whose domestic and foreign economic policies may adversely affect the balance of payments of other members.

4. The Fund will have discussions with its members on their need to retain existing bilateral arrangements or their ability to facilitate the reduction of bilateral arrangements by other countries. During the coming year, the Fund will explore with all countries which are parties to bilateral arrangements which involve the use of exchange restrictions the need for the continuation of these arrangements, the possibilities of their early removal, and ways and means, including the use of the Fund's resources, by which the Fund can assist in this process. In its examination of the justification for reliance on such bilateral arrangements the Fund will, without excluding other considerations, have particular regard to the payments position and prospects of the members concerned.

Appendix II

DECISION ON TRANSACTIONS AND COMPUTATIONS INVOLVING FLUCTUATING CURRENCIES

The Fund has examined certain problems relating to the adjustment of its holdings of fluctuating currencies and to transactions and computations involving such currencies and has come to the following conclusions:

I. The Fund does not intend to apply the rules set forth in II below to its holdings of members' currencies having fluctuating rates when there is no practical interest for the Fund or members to do so. To avoid misunderstanding, it may be useful to point out that these rules do not constitute a formula for dealing with the currencies of countries in which current transactions are conducted at multiple rates.

II. Subject to I above, the following rules are adopted:

Where the foreign exchange value of a currency fluctuates so that exchange transactions in that currency are not based on parity in accordance with Article IV, Section 3, and the Fund decides to apply Article IV, Section 8, computations by the Fund relating to that currency (hereinafter referred to as "fluctuating currency") for the purpose of applying the provisions of the Articles of Agreement of the Fund will be made as follows:

1. (i) Computations will be based on the mid-point between the highest rate and the lowest rate for the United States dollar quoted, for cable transfers for spot delivery, in the main financial center of the country of the fluctuating currency on the day specified in sub-paragraph (ii) below; provided, however, that when prescribed by sub-paragraph (iii) below computations will be based on the mid-point between the highest rate and the lowest rate for the fluctuating currency quoted in New York for cable transfers for spot delivery. Arrangements will be made with the Fund's depository in the country of the appropriate exchange market as determined hereunder to communicate to the Fund the rates referred to in this sub-paragraph (i).

(ii) For the purpose of sub-paragraph (i) the specified day will be:

(a) For the sale or purchase by the Fund of a fluctuating currency in exchange for another currency, or the purchase of gold by the Fund under Article V, Section 6(a), or voluntary repurchase, the last business day, in the main financial center of the country of the fluctuating currency, before the Fund instructs its depository to transfer or receive the fluctuating currency.

(b) For computations for the purpose of Article V, Section 7(b) or Article V, Section 8(f), the day as of which the computation is made.

(iii) If a mid-point cannot be determined in the main financial center of the country of the fluctuating currency in accordance with sub-paragraph (i) for the day specified in sub-paragraph (ii), there will be substituted therefor the mid-point for the fluctuating currency in New York determined in accordance with sub-paragraph (i) for the same calendar day. If no such mid-point can be determined for that day, there will then be substituted, to the extent necessary, first the previous business day in the main financial center of the country of the fluctuating currency, and secondly the same calendar day in New York. This procedure will be followed, to the extent necessary, until a mid-point is determined in accordance with sub-paragraph (i), except where the Fund decides to make a special determination under paragraph 6 below.

2. Where as the result of the application of paragraph 1 the amount of currency which the Fund has agreed to sell would exceed the amount that the purchasing member is entitled to purchase under Article V, Section 3(a)(iii), the amount of currency to be sold will be reduced to the amount the purchasing member is entitled to purchase under that provision unless the Fund makes a waiver under Article V, Section 4.

3. The Fund will revalue all of its holdings of a fluctuating currency on the basis of the mid-point employed for a computation under paragraph 1, and such revaluation will take effect as of the day specified for the computation in sub-paragraph (ii) of paragraph 1. As a minimum, revaluation will be made as of each July 31, October 31, January 31, and April 30.

4. Whenever the Fund revalues its holdings of a fluctuating currency under paragraph 3, it will establish an account receivable or an account payable, as the case may be, in respect of the amount of the currency payable by or to the member under Article IV, Section 8. For the purpose of applying the provisions of the Articles as of any date, the Fund's holdings of the fluctuating currency will be deemed to be its actual holdings plus the balance in any such account receivable or minus the balance in any such account payable as of that date.

5. Any account receivable or payable established under paragraph 4 above will be settled promptly after each July 31, October 31, January 31, and April 30, provided, however, that settlement will not be necessary for any July 31, October 31, or January 31 on which the mid-point as determined under paragraph 1 above does not differ by more than five per cent from the rate for the last settlement. Settlement of any account receivable or payable established under paragraph 4 above will always be made when requested by either the Fund or the member.

6. In any case in which it appears to the Fund that any of the provisions of paragraphs 1 to 5 above are not adequate or satisfactory, the Fund will make a special determination for the treatment of such case.

III. Sections I and II above of this decision shall be communicated to members together with SM/54/25 as amended by SM/54/25, Supplement 1 as an explanatory memorandum.

June 15, 1954

Appendix III

SUMMARY OF FUND TRANSACTIONS

from the beginning of operations to April 30, 1955[1]

(In millions of U.S. dollars)

Member (1)	Currency Purchased by Member Against Own Currency (2)	Member's Currency Sold by Fund to Other Members for Their Currency or Gold (3)	Member's Currency Repurchased by Member with Convertible Currency or Gold (4)	Member's Currency Used for Repurchases by Other Members (5)	Effect of Operations on Fund's Currency Holdings (columns 2 & 5 minus 3 & 4) (6)	Fund's Currency Holdings on April 30, 1955 Expressed as Percentage of Quota (7)
Australia	50.0		42.0		8.0	100
Austria			7.5		−7.5	75
Belgium	33.0	11.4	21.6		0.0	75
Bolivia	2.5				2.5	100
Brazil	168.5		103.0		65.5	119
Burma						97
Canada						75
Ceylon						95
Chile	21.3		12.5		8.8	100
China						—
Colombia	25.0				25.0	125
Costa Rica	1.2		2.1		−0.9	75
Cuba						75
Czechoslovakia	6.0				6.0	103
Denmark	10.2		11.0		−0.8	90
Dominican Republic						75
Ecuador						75
Egypt	3.0		8.5		−5.5	75
El Salvador						75
Ethiopia	0.6		2.0		−1.4	75
Finland	9.5		9.5		0.0	98

France	125.0		20.0		105.0	99
Germany, Federal Republic of		4.4	45.1		−49.5	75
Greece						—
Guatemala						75
Haiti						75
Honduras						75
Iceland						75
India	100.0		72.4		27.6	100
Indonesia	15.0				15.0	100
Iran	17.5		8.7		8.8	100
Iraq						100
Israel						—
Italy						—
Japan	124.0		61.6		62.4	100
Jordan						97
Lebanon			0.9		−0.9	75
Luxembourg						95
Mexico	45.0		22.5		22.5	100
Netherlands	75.4		75.4		0.0	75
Nicaragua	0.5		0.5		0.0	75
Norway	9.6		9.6		0.0	75
Pakistan						96
Panama						75
Paraguay	0.9		0.4		0.5	89
Peru			3.1		−3.1	75
Philippine Republic						75
Sweden			8.0		−8.0	75
Syria			1.4		−1.4	75
Thailand						—
Turkey	35.0		15.0		20.0	121
Union of South Africa	10.0		10.0		0.0	75
United Kingdom	300.0	191.7	112.0		−3.7	82
United States		996.4		577.9	−418.5	59
Uruguay						—
Venezuela						75
Yugoslavia	9.0				9.0	102
	1,197.7	1,203.9[2]	686.2[3]	577.9	−114.5	

[1] Totals may not equal sum of items because of rounding.
[2] $1,197.7 million sold for currency and $6.2 million for gold.
[3] $577.9 million repurchased with convertible currency and $108.3 million with gold.

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Appendix IV

DECISION ON GOLD MARGINS—AMENDMENT OF RULE F-4

The following amendment of Rule F-4 adopted at Meeting 54/52 [*October 15, 1954*] shall continue to be effective after November 15, 1954:

For transactions in gold by a member the margin above and below par value shall be, at the option of the member, either:

1. One quarter of one per cent plus the following charges:

   (a) The actual or computed cost of converting the gold transferred into good delivery bars at the normal center for dealing in gold of either the buying member or the member whose currency is exchanged for the gold;

   (b) The actual or computed cost of transporting the gold transferred to the normal center for dealing in gold of either the buying member or the member whose currency is exchanged for the gold;

   (c) Any charges made by the custodian of the gold transferred for effecting the transfer; or

2. One per cent, which one per cent shall be taken to include all of the charges set forth in 1 above.

November 5, 1954

Appendix V

MEMBERSHIP, QUOTAS, GOVERNORS, AND VOTING POWER

as of April 30, 1955

	QUOTA		VOTES		
Member	Amount (000,000's)	Per Cent of Total	Governor *Alternate*	Number[1]	Per Cent of Total
Australia	$200.0	2.29	Sir Arthur William Fadden	2,250	2.22
			Sir Percy Claude Spender		
Austria	50.0	0.57	Eugen Margaretha	750	0.74
			Franz Stoeger-Marenpach		
Belgium	225.0	2.58	Maurice Frere	2,500	2.47
			Joseph Vanheurck		
Bolivia	10.0	0.11	Franklin Antezana Paz	350	0.35
			Guillermo Mac Lean		
Brazil	150.0	1.72	Eugenio Gudin	1,750	1.73
			Octavio Bulhoes		
Burma	15.0	0.17	U Kyaw Nyein	400	0.39
			U San Lin		
Canada	300.0	3.44	Walter Edward Harris	3,250	3.21
			James Elliott Coyne		
Ceylon	15.0	0.17	M. D. H. Jayawardene	400	0.39
			Sir Arthur Ranasinha		
Chile	50.0	0.57	Arturo Maschke	750	0.74
			Felipe Herrera		
China	550.0	6.30	Peh-Yuan Hsu	5,750	5.68
			Pao-hsu Ho		
Colombia	50.0	0.57	Hernan Jaramillo Ocampo	750	0.74
			Eduardo Arias Robledo		
Costa Rica	5.0	0.06	Angel Coronas	300	0.30
			Mario Fernandez		
Cuba	50.0	0.57	Joaquin Martinez Saenz	750	0.74
			Bernardo Figueredo Antunez		

Denmark	68.0	0.78	Svend Nielsen *Einar Dige*	930	0.92
Dominican Republic	5.0	0.06	J. J. Gomez *Hector Garcia Godoy*	300	0.30
Ecuador	5.0	0.06	Guillermo Perez-Chiriboga *Hernan Escudero-Moscoso*	300	0.30
Egypt	60.0	0.69	Abdel Moneim El Kaissouni *Ahmed Nabih Younis*	850	0.84
El Salvador	2.5	0.03	Catalino Herrera *Manuel Melendez-Valle*	275	0.27
Ethiopia	6.0	0.07	Ato Makonnen Habte Wolde *Stanislaw Kirkor*	310	0.31
Finland	38.0	0.44	R. v. Fieandt *Reino Rossi*	630	0.62
France	525.0	6.02	Pierre Mendes-France *Wilfrid Baumgartner*	5,500	5.43
Germany, Federal Republic of	330.0	3.78	Wilhelm Vocke *Hans Karl von Mangoldt-Reiboldt*	3,550	3.51
Greece	40.0	0.46	Xenophon Zolotas *Charalambos Theodoropoulos*	650	0.64
Guatemala	5.0	0.06	Gustavo Miron Porras *Gabriel Orellana*	300	0.30
Haiti	2.0	0.02	Christian Aime *Edmond Policard*	270	0.27
Honduras	2.5	0.03	Marco Antonio Batres *Roberto Ramirez*	275	0.27
Iceland	1.0	0.01	Bjorn Olafsson *Thor Thors*	260	0.26
India	400.0	4.58	Shri Chintaman D. Deshmukh *Shri B. Rama Rau*	4,250	4.20
Indonesia	110.0	1.26	Sjafruddin Prawiranegara *Soetikno Slamet*	1,350	1.33

Appendix V (*continued*)

MEMBERSHIP, QUOTAS, GOVERNORS, AND VOTING POWER

as of April 30, 1955

Member	QUOTA Amount (000,000's)	QUOTA Per Cent of Total	Governor / *Alternate*	VOTES Number[1]	VOTES Per Cent of Total
Iran	$ 35.0	0.40	Ali Asghar Nasser *Ebrahim Kachani*	600	0.59
Iraq	8.0	0.09	Dhya Jafar *Saleh Kubba*	330	0.33
Israel	4.5	0.05	David Horowitz *Martin Rosenbluth*	295	0.29
Italy	180.0	2.06	Ezio Vanoni *Ugo La Malfa*	2,050	2.02
Japan	250.0	2.86	Hisato Ichimada *Eikichi Araki*	2,750	2.72
Jordan	3.0	0.03	Abdul Monem Rifa'i *El Sayed Abdel Karim El Hamoud*	280	0.28
Lebanon	4.5	0.05	Nasr Harfouche *Farid Solh*	295	0.29
Luxembourg	10.0	0.11	Pierre Werner *Hugues Le Gallais*	350	0.35
Mexico	90.0	1.03	Antonio Carrillo Flores *Rodrigo Gomez*	1,150	1.14
Netherlands	275.0	3.15	M. W. Holtrop *E. van Lennep*	3,000	2.96
Nicaragua	2.0	0.02	Guillermo Sevilla Sacasa *Leon DeBayle*	270	0.27
Norway	50.0	0.57	Erik Brofoss *Christian Brinch*	750	0.74
Pakistan	100.0	1.15	Mohamad Ali *Abdul Qadir*	1,250	1.23

Panama	0.5	0.01	Roberto Heurtematte *Jose D. Crespo*	255	0.25
Paraguay	3.5	0.04	Epifanio Mendez *Pedro Juan Mayor*	285	0.28
Peru	25.0	0.29	Andres F. Dasso *Emilio G. Barreto*	500	0.49
Philippines	15.0	0.17	Miguel Cuaderno, Sr. *Emilio Abello*	400	0.39
Sweden	100.0	1.15	M. H. Lemne *T. L. Hammarskiold*	1,250	1.23
Syria	6.5	0.07	Izzat Traboulsi *Awad Barakat*	315	0.31
Thailand	12.5	0.14	Prince Viwat *Puey Ungphakorn*	375	0.37
Turkey	43.0	0.49	Hasan Polatkan *Burhan Ulutan*	680	0.67
Union of South Africa	100.0	1.15	Eric Hendrik Louw *Daniel Hendrik Steyn*	1,250	1.23
United Kingdom	1,300.0	14.89	Richard Austen Butler *Sir George Bolton*	13,250	13.08
United States	2,750.0	31.51	George M. Humphrey *Samuel C. Waugh*	27,750	27.40
Uruguay	15.0	0.17	Miguel B. Rognoni *Carlos Sanguinetti*	400	0.39
Venezuela	15.0	0.17	J. J. Gonzalez Gorrondona *Francisco Alfonso Ravard*	400	0.39
Yugoslavia	60.0	0.69	Nenad Popovic *Mirko Mermolja*	850	0.84
	$8,728.0	100.00[2]		101,280	100.00[2]

[1] Voting power varies on certain matters with use by members of Fund resources.
[2] This total is not equal to the sum of the items because of rounding.

Appendix VI

CHANGES IN MEMBERSHIP OF THE BOARD OF GOVERNORS

Changes in the membership of the Board of Governors between May 1, 1954 and April 30, 1955 have been as follows:

David Horowitz was appointed Governor for Israel, June 14, 1954.

Martin Rosenbluth was appointed Alternate Governor for Israel, June 14, 1954.

Sjafruddin Prawiranegara was appointed Governor for Indonesia, June 28, 1954.

Soetikno Slamet was appointed Alternate Governor for Indonesia, June 28, 1954.

M. D. H. Jayawardene succeeded Sir Oliver Goonetilleke as Governor for Ceylon, July 6, 1954.

Abdel Hamid El Cherif succeeded Abdel Galeel El Emary as Governor for Egypt, July 11, 1954.

Guillermo Mac Lean succeeded Alfredo Oporto Crespo as Alternate Governor for Bolivia, July 14, 1954.

Walter Edward Harris succeeded Douglas Charles Abbott as Governor for Canada, July 22, 1954.

Clemente de Althaus, Governor for Peru, died July 22, 1954.

Prince Viwat was reappointed Governor for Thailand, July 28, 1954.

Puey Ungphakorn succeeded Kajit Kasemsri as Alternate Governor for Thailand, July 28, 1954.

Peh-Yuan Hsu succeeded Chia Kan Yen as Governor for China, July 29, 1954.

Ezio Vanoni succeeded Giuseppe Pella as Governor for Italy, July 30, 1954.

Andres F. Dasso was appointed Governor for Peru, August 3, 1954.

Nicolaas Christiaan Havenga was reappointed Governor for the Union of South Africa, August 5, 1954.

Erik Brofoss succeeded Gunnar Jahn as Governor for Norway, August 6, 1954.

Gustavo Miron Porras succeeded Manuel Noriega Morales as Governor for Guatemala, August 17, 1954.

Carlos Leonidas Acevedo resigned as Alternate Governor for Guatemala, August 17, 1954.

Abdul Qadir succeeded Anwar Ali as Alternate Governor for Pakistan, August 20, 1954.

Manuel Bendfeldt Jauregui was appointed Alternate Governor for Guatemala, August 26, 1954.

Dhya Jafar succeeded Abdul Kerim Al-Uzri as Governor for Iraq, September 2, 1954.

Saleh Kubba succeeded Abdul Ghani Al-Dalli as Alternate Governor for Iraq, September 2, 1954.

Abdel Moneim El Kaissouni succeeded Abdel Hamid El Cherif as Governor for Egypt, September 7, 1954.

U Kyaw Nyein succeeded U Tin as Governor for Burma, September 11, 1954.

U San Lin succeeded U Kyaw Nyun as Alternate Governor for Burma, September 11, 1954.

Feridun Cemal Erkin succeeded Hasan Polatkan as Governor for Turkey, September 21, 1954.

Munir Mostar succeeded Burhan Ulutan as Alternate Governor for Turkey, September 21, 1954.

Jorge Rossi succeeded Angel Coronas as Governor for Costa Rica, September 23, 1954.

Mario Saborio succeeded Mario Fernandez as Alternate Governor for Costa Rica, September 23, 1954.

Jens Otto Krag succeeded Svend Nielsen as Governor for Denmark, September 23, 1954.

Carlos J. Canessa succeeded Catalino Herrera as Governor for El Salvador, September 23, 1954.

Awni Khalidy succeeded Dhya Jafar as Governor for Iraq, September 23, 1954.

Pedro A. Caballero succeeded Hermogenes Gonzalez Maya as Governor for Paraguay, September 23, 1954.

Angel Coronas succeeded Jorge Rossi as Governor for Costa Rica, September 30, 1954.

Mario Fernandez succeeded Mario Saborio as Alternate Governor for Costa Rica, September 30, 1954.

Svend Nielsen succeeded Jens Otto Krag as Governor for Denmark, September 30, 1954.

Catalino Herrera succeeded Carlos J. Canessa as Governor for El Salvador, September 30, 1954.

Dhya Jafar succeeded Awni Khalidy as Governor for Iraq, September 30, 1954.

Sir Arthur Ranasinha succeeded N. U. Jayawardena as Alternate Governor for Ceylon, November 10, 1954.

J. J. Gomez succeeded S. Salvador Ortiz as Governor for the Dominican Republic, December 1, 1954.

Hisato Ichimada succeeded Sankuro Ogasawara as Governor for Japan, December 17, 1954.

Eikichi Araki succeeded Hisato Ichimada as Alternate Governor for Japan, December 17, 1954.

James Elliott Coyne succeeded Graham Ford Towers as Alternate Governor for Canada, January 13, 1955.

Epifanio Mendez succeeded Pedro A. Caballero as Governor for Paraguay, February 4, 1955.

Pedro Juan Mayor succeeded Augusto Urbieta Fleitas as Alternate Governor for Paraguay, February 4, 1955.

Ahmed Nabih Younis succeeded Mustapha El Kouni as Alternate Governor for Egypt, February 10, 1955.

Gabriel Orellana succeeded Manuel Bendfeldt Jauregui as Alternate Governor for Guatemala, February 18, 1955.

Hasan Polatkan succeeded Feridun Cemal Erkin as Governor for Turkey, February 23, 1955.

Burhan Ulutan succeeded Munir Mostar as Alternate Governor for Turkey, February 23, 1955.

R. v. Fieandt succeeded Sakari Tuomioja as Governor for Finland, March 17, 1955.

Eric Hendrik Louw succeeded Nicolaas Christiaan Havenga as Governor for the Union of South Africa, April 13, 1955.

Hector Garcia Godoy succeeded Pedro Pablo Cabral B. as Alternate Governor for the Dominican Republic, April 14, 1955.

Appendix VII

EXECUTIVE DIRECTORS AND VOTING POWER

as of April 30, 1955

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Per Cent of Total
APPOINTED				
Frank A. Southard, Jr. *John S. Hooker*	United States	27,750	27,750	27.40
Viscount Harcourt *P. J. Keogh*	United Kingdom	13,250	13,250	13.08
Beue Tann *Kuo-Hwa Yu*	China	5,750	5,750	5.68
Jean de Largentaye *André de Lattre*	France	5,500	5,500	5.43
P. S. Narayan Prasad *V. G. Pendharkar*	India	4,250	4,250	4.20
ELECTED				
Octavio Paranaguá (Brazil) *Joaquim Cândido Gouvêa Filho (Brazil)*	Bolivia	350		
	Brazil	1,750		
	Chile	750		
	Dominican Republic	300		
	Ecuador	300		
	Haiti	270		
	Panama	255		
	Paraguay	285		
	Peru	500		
	Uruguay	400	5,160	5.09
Ahmed Zaki Saad (Egypt) *Albert Mansour (Egypt)*	Egypt	850		
	Ethiopia	310		
	Iran	600		
	Iraq	330		
	Jordan	280		
	Lebanon	295		
	Pakistan	1,250		
	Philippines	400		
	Syria	315	4,630	4.57

Appendix VII (*continued*)

EXECUTIVE DIRECTORS AND VOTING POWER

as of April 30, 1955

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Per Cent of Total
José Luna-Guerra (Mexico)	Colombia	750		
Jorge Sol (El Salvador)	Costa Rica	300		
	Cuba	750		
	El Salvador	275		
	Guatemala	300		
	Honduras	275		
	Mexico	1,150		
	Nicaragua	270		
	Venezuela	400	4,470	4.41
André van Campenhout (Belgium)	Austria	750		
	Belgium	2,500		
Maurice Toussaint (Belgium)	Luxembourg	350		
	Turkey	680	4,280	4.23
D. Crena de Iongh (Netherlands)	Israel	295		
	Netherlands	3,000		
H. M. H. A. van der Valk (Netherlands)	Yugoslavia	850	4,145	4.09
Carlo Gragnani (Italy)	Greece	650		
Costa P. Caranicas (Greece)	Indonesia	1,350		
	Italy	2,050	4,050	4.00
Takeo Yumoto (Japan)	Burma	400		
Boonma Wongswan (Thailand)	Ceylon	400		
	Japan	2,750		
	Thailand	375	3,925	3.88
S. T. G. Åkermalm (Sweden)	Denmark	930		
Torben Friis (Denmark)	Finland	630		
	Iceland	260		
	Norway	750		
	Sweden	1,250	3,820	3.77
Otmar Emminger (Federal Republic of Germany) *Otto Donner (Federal Republic of Germany)*	Federal Republic of Germany	3,550	3,550	3.51

Appendix VII (*continued*)

EXECUTIVE DIRECTORS AND VOTING POWER

as of April 30, 1955

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Per Cent of Total
L. H. E. Bury (Australia)	Australia	2,250		
B. B. Callaghan (Australia)	Union of South Africa	1,250	3,500	3.46
Louis Rasminsky (Canada)	Canada	3,250	3,250	3.21
J. H. Warren (Canada)				
			101,280	100.00[2]

[1] Voting power varies on certain matters with use by members of Fund resources.

[2] This total is not equal to the sum of the items because of rounding.

Appendix VIII

CHANGES IN MEMBERSHIP OF THE EXECUTIVE BOARD

Changes in the membership of the Executive Board between May 1, 1954 and April 30, 1955 have been as follows:

J. H. Warren was appointed Alternate Executive Director to Louis Rasminsky, effective May 1, 1954.

Erling Sveinbjornsson served as Temporary Alternate Executive Director to Alf K. Eriksen, May 5, 1954.

C. A. Annis served as Temporary Alternate Executive Director to Louis Rasminsky, May 14 to 19, 1954.

Thomas Basyn served as Temporary Alternate Executive Director to Hubert Ansiaux, May 19 to June 9, 1954.

Alejandro Baca-Muñoz resigned as Alternate Executive Director to Enrique Delgado, May 28, 1954.

Sir Edmund Hall-Patch resigned as Executive Director for the United Kingdom, June 30, 1954.

D. H. F. Rickett was appointed Executive Director for the United Kingdom, effective July 1, 1954.

F. J. Portsmore, formerly Alternate Executive Director to Sir Edmund Hall-Patch, was appointed Alternate Executive Director to D. H. F. Rickett, effective July 1, 1954, and to Viscount Harcourt, effective November 1, 1954.

Günther Grosse served as Temporary Alternate Executive Director to Otmar Emminger, July 7 to 9 and July 23 to August 18, 1954.

C. W. Conron served as Temporary Alternate Executive Director to L. H. E. Bury, August 11, 1954.

D. H. F. Rickett resigned as Executive Director for the United Kingdom, September 30, 1954.

Viscount Harcourt was appointed Executive Director for the United Kingdom, effective October 1, 1954.

José Luna-Guerra was appointed Alternate Executive Director to Enrique Delgado, effective October 15, 1954.

Veikko Makkonen served as Temporary Alternate Executive Director to Alf K. Eriksen, October 20, 1954.

Hubert Ansiaux completed his term of service as Executive Director for Belgium and Luxembourg, October 31, 1954.

Enrique Delgado completed his term of service as Executive Director for Colombia, Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Venezuela, October 31, 1954.

Alf K. Eriksen completed his term of service as Executive Director for Denmark, Finland, Iceland, Norway, and Sweden, October 31, 1954.

William Tennekoon completed his term of service as Alternate Executive Director to Takeo Yumoto, October 31, 1954.

S. T. G. Åkermalm completed his term of service as Alternate Executive Director to Alf K. Eriksen, October 31, 1954, and was elected Executive Director by Denmark, Finland, Iceland, Norway, and Sweden, effective November 1, 1954.

L. H. E. Bury was re-elected Executive Director by Australia and the Union of South Africa, effective November 1, 1954.

B. B. Callaghan was reappointed Alternate Executive Director to L. H. E. Bury, effective November 1, 1954.

D. Crena de Iongh completed his term of service as Executive Director for the Netherlands, October 31, 1954, and was elected Executive Director by Israel, the Netherlands, and Yugoslavia, effective November 1, 1954.

H. M. H. A. van der Valk was reappointed Alternate Executive Director to D. Crena de Iongh, effective November 1, 1954.

Otmar Emminger completed his term of service as Executive Director for the Federal Republic of Germany and Yugoslavia, October 31, 1954, and was elected Executive Director by the Federal Republic of Germany, effective November 1, 1954.

Otto Donner was reappointed Alternate Executive Director to Otmar Emminger, effective November 1, 1954.

Jean C. Godeaux completed his term of service as Alternate Executive Director to Hubert Ansiaux, October 31, 1954, and was elected Executive Director by Austria, Belgium, Luxembourg, and Turkey, effective November 1, 1954.

Maurice Toussaint was appointed Alternate Executive Director to Jean C. Godeaux, effective November 1, 1954, and to André van Campenhout, effective December 1, 1954.

Carlo Gragnani completed his term of service as Executive Director for Austria, Greece, Italy, and Turkey, October 31, 1954, and was elected Executive Director by Greece, Indonesia, and Italy, effective November 1, 1954.

Costa P. Caranicas was reappointed Alternate Executive Director to Carlo Gragnani, effective November 1, 1954.

José Luna-Guerra completed his term of service as Alternate Executive Director to Enrique Delgado, October 31, 1954, and was elected Executive Director by Colombia, Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Venezuela, effective November 1, 1954.

Jorge Sol was appointed Alternate Executive Director to José Luna-Guerra, effective November 1, 1954.

Octavio Paranaguá completed his term of service as Executive Director for Bolivia, Brazil, Chile, Dominican Republic, Ecuador, Panama, Paraguay, Peru, and Uruguay, October 31, 1954, and was elected Executive Director by Bolivia, Brazil, Chile, Dominican Republic, Ecuador, Haiti, Panama, Paraguay, Peru, and Uruguay, effective November 1, 1954.

Joaquim Cândido Gouvêa Filho was reappointed Alternate Executive Director to Octavio Paranaguá, effective November 1, 1954.

Louis Rasminsky was re-elected Executive Director by Canada, effective November 1, 1954.

J. H. Warren was reappointed Alternate Executive Director to Louis Rasminsky, effective November 1, 1954.

Ahmed Zaki Saad was re-elected Executive Director by Egypt, Ethiopia, Iran, Iraq, Jordan, Lebanon, Pakistan, Philippines, and Syria, effective November 1, 1954.

Takeo Yumoto was re-elected Executive Director by Burma, Ceylon, Japan, and Thailand, effective November 1, 1954.

Boonma Wongswan was appointed Alternate Executive Director to Takeo Yumoto, effective November 1, 1954.

Torben Friis was appointed Alternate Executive Director to S. T. G. Akermalm, effective November 10, 1954.

Jean C. Godeaux resigned as Executive Director for Austria, Belgium, Luxembourg, and Turkey, November 30, 1954.

André van Campenhout was elected Executive Director by Austria, Belgium, Luxembourg, and Turkey, effective December 1, 1954.

R. G. C. Smith served as Temporary Alternate Executive Director to Louis Rasminsky, December 22, 1954.

F. J. Portsmore resigned as Alternate Executive Director to Viscount Harcourt, December 31, 1954.

P. J. Keogh was appointed Alternate Executive Director to Viscount Harcourt, effective January 1, 1955.

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Appendix IX (i)

ADMINISTRATIVE BUDGET

Letter of Transmittal

July 1, 1955

My dear Mr. Chairman:

The administrative budget of the Fund for the Fiscal Year ending April 30, 1956, as approved by the Board of Executive Directors, is presented for the information of the Board of Governors in accordance with Section 20 of the By-Laws.

The presentation includes the actual experience for the Fiscal Year 1953-54, and the budget and actual expenditures for the Fiscal Year 1954-55 as compared with the administrative budget for the Fiscal Year 1955-56.

I should like to reiterate that it is of course impossible to predict whether the amounts budgeted will, in fact, meet the requirements of the Fund's program. The amounts shown are an estimate of requirements on the basis of the expected level of activities. Should contingencies arise or present plans change materially, the management may have to recommend an appropriate amendment to the Executive Board.

Yours sincerely,

/s/

IVAR ROOTH

Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

Appendix IX (ii)

ADMINISTRATIVE BUDGET

As Approved by the Executive Board for the Fiscal Year Ending April 30, 1956, Compared with Actual Expenditures for the Fiscal Years 1953-54 and 1954-55

Category of Expenditure	Budget F. Y. 1955-56	F. Y. 1954-55		Actual Expenditures F. Y. 1953-54
		Budget	Actual Expenditures	
I. BOARD OF GOVERNORS	$ 390,000	$ 174,000	$ 171,004.44	$ 139,066.10
II. OFFICE OF EXECUTIVE DIRECTORS				
Salaries	$ 568,700	$ 566,000	$ 544,630.34	$ 551,077.73
Other compensations and benefits	80,300	80,000	76,523.33	82,435.05
Travel	90,000	101,000	84,219.07	96,563.64
Total	$ 739,000	$ 747,000	$ 705,372.74	$ 730,076.42
III. STAFF				
Salaries	$2,581,700	$2,479,700	$2,460,989.38	$2,463,594.86
Other compensations and benefits	605,800	598,800	592,132.95	619,844.20
Travel	295,000	284,000	283,362.25	281,803.56
Total	$3,482,500	$3,362,500	$3,336,484.58	$3,365,242.62
IV. OTHER ADMINISTRATIVE EXPENSES				
Communications	$ 121,500	$ 119,000	$ 116,172.14	$ 119,521.25
Office occupancy expenses	430,000	460,000	451,723.85	450,063.68
Books and printing	95,500	123,300	103,124.21	105,537.09
Supplies and equipment	64,000	70,800	65,663.57	63,732.71
Miscellaneous	47,500	42,500	39,825.88	35,919.08
Total	$ 758,500	$ 815,600	$ 776,509.65	$ 774,773.81
TOTAL	$5,370,000	$5,099,100[1]	$4,989,371.41	$5,009,158.95

[1] Includes $16,600 for liquidation of prior year commitments.

Appendix IX (iii)

COMPARATIVE STATEMENT OF INCOME

(Values expressed in U. S. dollars on basis of established parities)

	Year ended Apr. 30, 1953	Year ended Apr. 30, 1954	Year ended Apr. 30, 1955
INCOME			
Service charges received in gold	$ 330,625.00	$1,156,450.00	$ 243,750.00
Charges on Fund's holdings of members' currencies and securities in excess of quotas			
Received in gold	$2,627,280.47	$3,258,252.18	$1,914,631.83
Received in members' currencies	905,934.38	414,924.48	15,293.12
Outstanding	22,456.00[1]	91,208.10[1]	111,679.02[1]
Total	$3,555,670.85	$3,764,384.76	$2,041,603.97
Sales of Fund's publications	$ 14,052.40	$ 14,297.18	$ 16,088.52
Other operational income	262,059.12	49,654.92[2]	44,404.29
Miscellaneous income	328.43	412.91	579.07
TOTAL INCOME	$4,162,735.80	$4,985,199.77	$2,346,425.85
TOTAL ADMINISTRATIVE EXPENDITURE	$4,883,652.58	$5,009,158.95	$4,989,371.41

[1]See Appendix X (vi), footnote 4.

[2]Excludes transfers to Stand-By Charge Reserve for the years 1954 and 1955 of $42,091.77 and $42,091.78, respectively.

Appendix X (i)

BALANCE SHEET, STATEMENT OF INCOME AND EXPENDITURE, AND SUPPORTING SCHEDULES

Letter of Transmittal

July 1, 1955

My dear Mr. Chairman:

In accordance with Section 20(b) of the By-Laws of the Fund, I have the honor to submit for the consideration of the Board of Governors the audited Balance Sheet and the audited Statement of Income and Expenditure of the Fund for the year ended April 30, 1955, together with the Auditors' Certificate, as well as audited financial statements of the Staff Retirement Fund.

In conformity with the By-Laws, the external audit of the Fund has been performed by an Audit Committee consisting of auditors nominated by three member countries. At the Fund's request, Australia, the Federal Republic of Germany, and Turkey nominated auditors to serve on this Committee. They respectively nominated Mr. Lindsay G. D. Farmer, Chief Auditor in New York for the Commonwealth of Australia; Mr. Josef Heiliger, Director of the Procedures and Auditing Department of the Bank deutscher Länder; and Mr. Münir Mostar, Financial Counselor of the Turkish Embassy in Washington, D. C. The auditors thus nominated were confirmed by the Executive Directors.

It will be noted that, in the period under review, expenditure exceeded income by $2,522,941.94, and that the total excess of expenditure over income from inception to April 30, 1955 is thus increased to $10,512,715.31.

The detailed report of the Audit Committee is being submitted separately to the Board of Governors.

Yours sincerely,

/s/

IVAR ROOTH

Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

Appendix X (ii)

AUDITORS' CERTIFICATE

We have made an independent examination of the Balance Sheet of the International Monetary Fund as at April 30, 1955, of the Statement of Income and Expenditure for the fiscal year then ended, and of the schedules related to such financial statements. As required by Section 20 of the Fund's By-Laws, our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances. We have examined or tested, to the extent deemed appropriate, the accounting records of the Fund and other supporting evidence of its financial transactions; we have ascertained generally and to the extent practicable that financial transactions have been conducted in compliance with the Fund's requirements; and we have obtained from the officers and staff of the Fund all such information and representations as we have required in the conduct of our audit. We have also reviewed the accounting methods and system of internal control.

In our opinion, based on our examination, such Balance Sheet and related Statement of Income and Expenditure, together with the notes appearing thereon, present fairly the financial position of the International Monetary Fund as at April 30, 1955, and the results of its operations for the fiscal year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of previous fiscal years.

/s/ L. G. D. FARMER (Australia)

/s/ JOSEF HEILIGER (Germany)

/s/ MÜNIR MOSTAR (Turkey)

Appendix
BALANCE
April 30,

Values expressed in United States dollars

ASSETS

GOLD WITH DEPOSITORIES (See Note 2)			$1,744,362,549.42
(49,838,929.983 fine ounces at US$35.00 per ounce)			
CURRENCY AND SECURITIES WITH DEPOSITORIES			
Members			
Currency	$ 807,451,784.38		
Securities	5,360,278,608.57	$6,167,730,392.95	
(non-negotiable, non-interest bearing demand obligations payable at face value by members in their currencies)			
Add: Currency adjustments *(in accordance with Article IV, Section 8)*			
Receivable	$ 3,626,435.70		
Payable	394,717.05	3,231,718.65	
		$6,170,962,111.60	
Withdrawing member			
Currency and securities		128,786,824.64	6,299,748,936.24
SUBSCRIPTIONS TO CAPITAL—RECEIVABLE			
Balances not due			797,671,444.30
(members whose par values have not yet been established)			
OTHER ASSETS (See Note 5)			948,952.85
(other cash, receivables, etc.)			
TOTAL ASSETS			$8,842,731,882.81

NOTES: 1. With the exception of Canadian dollars, French francs, Indonesian rupiah, and Peruvian soles which, for bookkeeping purposes, are computed at provisional rates of 0.988750 dollar, 349.600 francs, 11.4000 rupiah, and 19.0000 soles per U. S. dollar.

2. Excludes 2,022.522 fine ounces earmarked for members.

3. After deduction of $91,085.33, representing transfers of provisions for meeting potential costs in respect of gold, shown in previous balance sheets as separate reserves.

4. A stand-by charge has, under certain circumstances, to be credited against the service charge for a drawing under the stand-by arrangement. The maximum amount on April 30, 1955 is $84,183.55. A portion of the stand-by charge is refundable to a member if the arrangement is cancelled. The maximum amount on April 30, 1955 is $36,174.64.

5. The assets and liabilities of the Staff Retirement Fund are not included in this balance sheet.

X (iii)
SHEET
1955

on the basis of established parities (See Note 1)

CAPITAL, RESERVES, AND LIABILITIES

CAPITAL		
Authorized subscriptions of members		$8,728,000,000.00
Less: Excess of expenditure over income		
From inception to April 30, 1954	$7,989,773.37	
For year ended April 30, 1955 (See Note 3)	2,522,941.94	10,512,715.31
Net capital		$8,717,487,284.69
WITHDRAWING MEMBER'S SUBSCRIPTION		125,000,000.00
RESERVES		
Stand-by charge reserve (See Note 4)		84,183.55
LIABILITIES (See Note 5)		160,414.57
(accruals, accounts payable, deferred income, etc.)		
TOTAL CAPITAL, RESERVES, AND LIABILITIES		$8,842,731,882.81

/s/ Y. C. Koo
Treasurer

/s/ Charles M. Powell
Comptroller and Assistant Treasurer

/s/ Ivar Rooth
Managing Director

Appendix X (iv)

STATEMENT OF INCOME AND EXPENDITURE

for the year ended April 30, 1955

INCOME			
Income from operations			
Operational charges		$ 288,154.29[1]	
Charges on balances in excess of quota		2,041,603.97	$2,329,758.26
Other income			
Sales of Fund's publications		$ 16,088.52	
Miscellaneous income		579.07	16,667.59
TOTAL INCOME			$2,346,425.85
EXPENDITURE			
Board of Governors		$ 171,004.44	
Office of Executive Directors			
Salaries	$ 544,630.34		
Other compensations and benefits	76,523.33		
Travel	84,219.07	705,372.74	
Staff			
Salaries	$2,460,989.38		
Other compensations and benefits	592,132.95		
Travel	283,362.25	3,336,484.58	
Other administrative expenses			
Communications	$ 116,172.14		
Office occupancy expenses	451,723.85		
Books and printing	103,124.21		
Supplies and equipment	65,663.57		
Miscellaneous	39,825.88	776,509.65	
TOTAL ADMINISTRATIVE EXPENDITURE		$4,989,371.41	
Gold handling charges	$ 1,362.55		
Exchange adjustments	9.16	1,371.71	
TOTAL EXPENDITURE			4,990,743.12
EXCESS OF EXPENDITURE OVER INCOME FOR THE YEAR			$2,644,317.27
Less:			
Transfer from reserves of provision for meeting potential costs in respect of gold		$ 91,085.33	
Proceeds from sale of certain office furnishings and fittings		30,290.00	121,375.33
EXCESS OF EXPENDITURE OVER INCOME (carried to Balance Sheet)			$2,522,941.94

[1]Excludes $42,091.78 (net) transferred to Stand-By Charge Reserve.

Appendix X (v)

GOLD WITH DEPOSITORIES

April 30, 1955

Valued at US$35 per fine ounce

	Fine Ounces	U. S. Dollar Equivalent
Gold with depositories	49,838,929.983	$1,744,362,549.42

The gold shown above does not include 2,022.522 fine ounces held under earmark by the Fund as follows:

Members	Fine Ounces	Members	Fine Ounces
Australia	.142	Japan	.381
Austria	.848	Lebanon	.784
Bolivia	38.776	Mexico	57.524
Brazil	1.897	Netherlands	154.540
Chile	37.885	Norway	369.864
Colombia	214.522	Paraguay	.552
Denmark	275.945	Syria	.019
Egypt	20.282	Turkey	36.930
Ethiopia	32.436	Yugoslavia	250.631
Finland	11.965		1,996.508
France	1.041		
Germany	2.345	*Withdrawing Member*	
India	313.413		
Indonesia	40.977	Czechoslovakia	26.014
Iran	132.809		
		Total	2,022.522

Appendix X (vi)

STATEMENT OF CURRENCIES AND SECURITIES

April 30, 1955

Depositories	National Currencies	Amounts in Currencies						Exchange Rates[2]	U. S. Dollar Equivalents
		With Depositories				Currency Adjustments[1] Receivable (+) or Payable (−)	Total After Currency Adjustments		
		Securities	No. 1 Account	No. 2 Account	Totals				
MEMBERS									
Commonwealth Bank of Australia	Pounds	76,575,000.0.0	12,516,180.19.9	515.13.10	89,091,696.13.7		89,091,696.13.7	224.000†	$ 199,565,400.56
Austrian National Bank	Schillings	961,980,617.00	13,000,000.00	12,455.79	974,993,072.79		974,993,072.79	26.0000	37,499,733.57
Banque Nationale de Belgique S.A.	Francs	8,323,889,561.24	112,740,000.00	60,987.86	8,436,690,549.10		8,436,690,549.10	50.0000	168,733,810.98
Banco Central de Bolivia	Bolivianos	1,405,612,388.60	494,000,000.00	187,850.00	1,899,800,238.60		1,899,800,238.60	190.000	9,998,948.62
Superintendencia da Moeda e do Credito (Brazil)	Cruzeiros		3,292,814,442.50	38,401.30	3,292,852,843.80		3,292,852,843.80	18.5000	177,992,045.62
The Union Bank of Burma	Kyats	68,291,575.53	714,285.71	3,156.88	69,009,018.12		69,009,018.12	21.0000†	14,491,893.81
Bank of Canada	Dollars	215,000,000.00	3,870,526.46	1,005.48	218,871,531.94	+3,585,638.29	222,457,170.23	0.988750*	224,988,288.48
Central Bank of Ceylon	Rupees	67,093,000.00	714,332.90	3,322.82	67,810,655.72		67,810,655.72	21.0000†	14,240,237.70
Banco Central de Chile	Pesos		5,499,478,426.20	595,874.10	5,500,074,300.30		5,500,074,300.30	110.000	50,000,675.46
Banco de la República (Colombia)	Pesos		121,857,041.17	1,755.20	121,858,796.37		121,858,796.37	1.94998	62,492,331.40
Banco Central de Costa Rica	Colones		21,035,457.46	7,495.81	21,042,953.27		21,042,953.27	5.61500	3,747,631.93
Banco Nacional de Cuba	Pesos		37,487,613.64	624.63	37,488,238.27		37,488,238.27	1.00000	37,488,238.27
Danmarks Nationalbank	Kroner	418,000,000.00	5,639,000.27	5,845.77	423,644,846.04		423,644,846.04	6.90714	61,334,336.07
Banco Central de la República Dominicana	Pesos	3,248,000.00	500,987.33	876.00	3,749,863.33		3,749,863.33	1.00000	3,749,863.33
Banco Central del Ecuador	Sucres		56,232,752.37	10,087.48	56,242,839.85		56,242,839.85	15.0000	3,749,522.65
National Bank of Egypt	Pounds	15,458,670.375	208,945.660	878.790	15,668,494.825		15,668,494.825	287.156†	44,993,023.00
Banco Central de Reserva de El Salvador	Colones		4,678,905.50	2,484.50	4,681,390.00		4,681,390.00	2.50000	1,872,556.00
State Bank of Ethiopia	Dollars	10,979,375.30	194,299.17	2,858.14	11,176,532.61		11,176,532.61	40.2500†	4,498,554.38
Bank of Finland	Markkas	8,474,898,839.00	89,270,000.00	204,469.00	8,564,373,308.00		8,564,373,308.00	230.000	37,236,405.69
Banque de France	Francs	180,540,000,000.	1,837,335,464.	2,987,194.	182,380,322,658.		182,380,322,658.	349.600*	521,682,845.13
Bank deutscher Länder	D. Marks	1,025,600,000.00	13,891,155.38	2,626.48	1,039,493,781.86		1,039,493,781.86	4.20000	247,498,519.49
Banco de Guatemala	Quetzales		3,744,940.19	1,812.54	3,746,752.73		3,746,752.73	1.00000	3,746,752.73
Banque Nationale de la République d'Haiti	Gourdes	7,394,945.10	100,000.00	5,000.00	7,499,945.10		7,499,945.10	5.00000	1,499,989.02
Banco Central de Honduras	Lempiras	3,647,881.12	98,000.00	1,577.68	3,747,458.80		3,747,458.80	2.00000	1,873,729.40
National Bank of Iceland	Krónur		12,183,211.65	6,206.76	12,189,418.41		12,189,418.41	16.2857	748,473.72
Reserve Bank of India	Rupees	1,786,600,000.0.0	118,149,097.11.6	4,451.8.11	1,904,753,549.4.5		1,904,753,549.4.5	21.0000†	399,998,245.35
Bank Indonesia	Rupiah	1,064,700,000.00	183,588,250.02	13,634.76	1,248,301,884.78		1,248,301,884.78	11.4000*	109,500,165.33

Bank Melli Iran	Rials	1,116,787,569.30	11,804,941.30	21,194.50	1,128,613,705.10		1,128,613,705.10	32.2500	34,995,773.80
National Bank of Iraq	Dinars	2,569,125.000	286,672.319	155.122	2,855,952.441		2,855,952.441	280.000†	7,996,666.83
The Bank of Japan	Yen	66,596,400,000.00	23,378,400,000.00	2,842,980.00	89,977,642,980.00		89,977,642,980.00	360.000	249,937,897.17
Ottoman Bank (Jordan)	Dinars	1,025,350.896	10,714.286	494.750	1,036,559.932		1,036,559.932	280.000†	2,902,367.81
Banque de Syrie et du Liban (Lebanon)	Pounds		7,372,572.00	980.88	7,373,552.88		7,373,552.88	2.19148	3,364,645.30
Caisse d'Epargne de l'Etat (Luxembourg)	Francs	470,836,334.80	5,000,000.00	27,613.34	475,863,948.14		475,863,948.14	50.0000	9,517,278.96
Banco de México, S.A.	Pesos		1,124,028,034.64	3,993.11	1,124,032,027.75		1,124,032,027.75	12.5000	89,922,562.22
De Nederlandsche Bank N.V.	Guilders	773,000,000.00	10,731,504.18	3,732.32	783,735,236.50		783,735,236.50	3.80000	206,246,114.87
Banco Nacional de Nicaragua	Córdobas		7,481,941.32	5,392.61	7,487,333.93		7,487,333.93	5.00000	1,497,466.78
Norges Bank	Kroner	263,848,315.10	3,947,941.41	7,732.94	267,803,989.45		267,803,989.45	14.0000†	37,492,558.52
State Bank of Pakistan	Rupees	315,892,652.0.0	3,342,520.0.0	4,298.5.4	319,239,470.5.4		319,239,470.5.4	3.30852	96,490,113.51
Banco Nacional de Panama	Balboas	369,000.00	4,999.75	863.30	374,863.05		374,863.05	1.00000	374,863.05
Banco Central del Paraguay	Guaraníes		65,562,801.36	22,226.40	65,585,027.76		65,585,027.76	21.0000	3,123,096.56
Banco Central de Reserva del Peru	Soles	358,864,570.43	4,850,000.00	16,649.27	363,731,219.70	−7,499,623.99	356,231,595.71	19.0000*	18,749,031.36
Central Bank of the Philippines	Pesos	22,000,000.00	494,902.42	1,331.38	22,496,233.80		22,496,233.80	2.00000	11,248,116.90
Sveriges Riksbank	Kronor		387,956,594.61	2,807.05	387,959,401.66		387,959,401.66	5.17321	74,993,940.26
Banque de Syrie et du Liban (Syria)	Pounds	10,447,000.00	233,734.01	1,731.12	10,682,465.13		10,682,465.13	2.19148	4,874,543.75
Banque Centrale de la République de Turquie	Liras	78,250,000.00	68,034,264.33	319.59	146,284,583.92		146,284,583.92	2.80000	52,244,494.26
South African Reserve Bank	Pounds	26,405,574.8.7	376,889.11.7	460.9.5	26,782,924.9.7		26,782,924.9.7	280.000†	74,992,188.54
Bank of England	Pounds	375,175,000.0.0	4,659,213.3.1	3,282.7.10	379,837,495.10.11		379,837,495.10.11	280.000†	1,063,544,987.53
Federal Reserve Bank of New York	Dollars	1,578,000,000.00	30,674,737.55	34,533.60	1,608,709,271.15		1,608,709,271.15	100.000†	1,608,709,271.15
Riggs National Bank of Washington, D. C.[3]	Dollars			88,616.70	88,616.70		88,616.70	100.000†	88,616.70
Banco Central de Venezuela	Bolívares	32,659,359.42	5,011,000.00	999.05	37,671,358.47		37,671,358.47	3.35000	11,245,181.63
Banque Nationale de la République Fédérative Populaire de Yougoslavie	Dinars		18,356,342,974.50	91,961.00	18,356,434,935.50		18,356,434,935.50	300.000	61,188,116.45
TOTALS (in U. S. dollar equivalents)		$5,360,278,608.57	$807,256,695.42	$195,088.96	$6,167,730,392.95	+$3,231,718.65	$6,170,962,111.60		$6,170,962,111.60
WITHDRAWING MEMBER									
Czechoslovak State Bank[4]	Korunas	5,552,378,996.00	886,961,311.80	924.20	6,439,341,232.00		6,439,341,232.00	50.0000	128,786,824.64
					TOTAL (carried to Balance Sheet)				$6,299,748,936.24

[1]In accordance with Article IV, Section 8. [2]Parity rates, except for those marked * which are provisional rates for bookkeeping purposes. Rates marked † represent U. S. cents per currency unit; all other rates represent currency units per U. S. dollar. [3]Checking accounts are maintained with the Riggs National Bank in Washington, D. C. for the purpose of making local payments for administrative expenditure. [4]With reference to Czechoslovakia's unilateral action of June 1, 1953, in regard to a change in the par value of the koruna, the Fund was advised by Czechoslovakia that a provisional account has been opened in "new currency" and that various entries have been made therein to reflect currency payments due to or from the Fund in connection with charges on balances in excess of quota. Since this method of settlement has not been approved by the Fund, no entries have been made in our koruna accounts here in respect of these items, which are carried on the Fund's books as Accounts Receivable and Payable at the rate of 50 korunas per U. S. dollar, the par value agreed with the Fund on December 18, 1946.

Appendix X (vii)

STATUS OF SUBSCRIPTIONS TO CAPITAL

April 30, 1955

(expressed in U. S. dollars)

Members	Quotas	Payments on Subscriptions to Capital			Subscriptions to Capital Receivable	
		1/100 of 1% Paid in U.S. Dollars[1]	Paid in Gold	Paid in Member's Currency	Balances Due (Par Values Established)	Balances Not Due (Par Values Not Established)
Australia	$ 200,000,000.00		$ 8,404,843.20	$ 191,595,156.80		
Austria	50,000,000.00		5,000,003.72	44,999,996.28		
Belgium	225,000,000.00	$ 22,500.00	56,227,500.00	168,750,000.00		
Bolivia	10,000,000.00	1,000.00	2,500,040.06	7,498,959.94		
Brazil	150,000,000.00	15,000.00	37,485,030.14	112,499,969.86		
Burma	15,000,000.00		500,369.14	14,499,630.86		
Canada	300,000,000.00	30,000.00	74,970,000.00	225,000,000.00		
Ceylon	15,000,000.00		751,010.09	14,248,989.91		
Chile	50,000,000.00	5,000.00	8,813,013.93	41,181,986.07		
China	550,000,000.00	55,000.00				$549,945,000.00
Colombia	50,000,000.00	5,000.00	12,495,150.61	37,499,849.39		
Costa Rica	5,000,000.00	500.00	373,700.09	4,625,799.91		
Cuba	50,000,000.00	5,000.00	12,495,386.36	37,499,613.64		
Denmark	68,000,000.00	6,800.00	5,934,983.32	62,058,216.68		
Dominican Republic	5,000,000.00	500.00	1,249,512.67	3,749,987.33		
Ecuador	5,000,000.00	500.00	1,249,612.81	3,749,887.19		
Egypt	60,000,000.00	4,500.00	9,484,075.69	50,511,424.31		
El Salvador	2,500,000.00	250.00	624,787.80	1,874,962.20		
Ethiopia	6,000,000.00	600.00	61,752.22	5,937,647.78		
Finland	38,000,000.00		760,222.44	37,239,777.56		
France	525,000,000.00	52,500.00	108,056,306.15	416,891,193.85		
Germany	330,000,000.00		33,009,651.50	296,990,348.50		
Greece	40,000,000.00	4,000.00				39,996,000.00

Guatemala	5,000,000.00	500.00	1,249,559.81	3,749,940.19		
Haiti	2,000,000.00		500,010.98	1,499,989.02		
Honduras	2,500,000.00	250.00	624,809.44	1,874,940.56		
Iceland	1,000,000.00	100.00	249,900.28	749,999.72		
India	400,000,000.00	40,000.00	27,486,453.61	372,473,546.39		
Indonesia	110,000,000.00		15,500,030.70	94,499,969.30[2]		
Iran	35,000,000.00	2,500.00	8,764,707.14	26,232,792.86		
Iraq	8,000,000.00	800.00		7,999,200.00		
Israel	4,500,000.00		1,125,047.56			3,374,952.44
Italy	180,000,000.00	18,000.00				179,982,000.00
Japan	250,000,000.00		62,500,000.15	187,499,999.85		
Jordan	3,000,000.00		97,617.49	2,902,382.51		
Lebanon	4,500,000.00	450.00	267,415.12	4,232,134.88		
Luxembourg	10,000,000.00	1,000.00	479,995.96	9,519,004.04		
Mexico	90,000,000.00	9,000.00	22,491,205.14	67,499,794.86		
Netherlands	275,000,000.00	27,500.00	68,722,500,00	206,250,000.00		
Nicaragua	2,000,000.00	200.00	499,975.66	1,499,824.34		
Norway	50,000,000.00	5,000.00	12,495,054.90	37,499,945.10		
Pakistan	100,000,000.00		3,500,607.22	96,499,392.78		
Panama	500,000.00	50.00	124,950.25	374,999.75		
Paraguay	3,500,000.00	200.00	875,496.47	2,624,303.53		
Peru	25,000,000.00	2,500.00	3,149,921.00	21,847,579.00		
Philippine Republic	15,000,000.00	1,500.00	3,748,548.79	11,249,951.21		
Sweden	100,000,000.00		17,000,086.78	82,999,913.22		
Syria	6,500,000.00	650.00	169,187.17	6,330,162.83		
Thailand	12,500,000.00		3,125,008.14			9,374,991.86
Turkey	43,000,000.00	4,300.00	10,745,912.23	32,249,787.77		
Union of South Africa	100,000,000.00	10,000.00	24,994,519.20	74,995,480.80		
United Kingdom	1,300,000,000.00	130,000.00	236,135,323.70	1,063,734,676.30		
United States	2,750,000,000.00	275,000.00	687,500,000.11	2,062,224,999.89		
Uruguay	15,000,000.00	1,500.00				14,998,500.00
Venezuela	15,000,000.00	1,500.00	3,748,541.96	11,249,958.04		
Yugoslavia	60,000,000.00	6,000.00	7,896,966.11	52,097,033.89		
TOTALS	$8,728,000,000.00	$747,150.00	$1,606,216,305.01	$6,323,365,100.69	–0–	$797,671,444.30

[1]As per Article XX, Section 2(d), of the Articles of Agreement.

[2]Accepted provisionally at the rate of 11.4000 rupiah per U. S. dollar, subject to such adjustment as may be necessary when a par value for the rupiah is agreed upon.

Appendix X (viii)

OTHER ASSETS

April 30, 1955

Cash		
On hand	$ 1 137.81	
With European Office	5,218.68	$ 6,356.49
Sundry debtors		
Deposits	$ 1,520.00	
Commercial accounts	43,280.40	
Salary advances	24,899.50	
Travel advances	9,763.29	
Other receivables	6,595.14	86,058.33
Prepayments		
Postage	$ 5,748.14	
Insurance	7,940.75	
Travel	22,027.99	
Other	4,058.27	39,775.15
Accounts receivable—members and withdrawing member		509,500.38
(mainly charges on Fund's holdings of currencies in excess of quotas)		
Fund building suspense		307,262.50
Furniture, equipment, and automobiles		
Furniture and equipment at cost	$518,823.03	
Automotive equipment at cost	9,635.40	
	$528,458.43	
Less: Reserve	528,458.43	Nil
Libraries		
Cost of books for Law Library	$ 27,246.06	
Investment in Joint Library	34,246.77	
	$ 61,492.83	
Less: Reserve	61,492.83	Nil
TOTAL OTHER ASSETS (carried to Balance Sheet)		$948,952.85

LIABILITIES

April 30, 1955

Accruals	$150,446.54
(mainly personal services and office occupancy)	
Accounts payable	4,010.01
Deferred credits	5,958.02
(mainly subscriptions to Fund's publications for periods after April 30, 1955)	
TOTAL LIABILITIES (carried to Balance Sheet)	$160,414.57

Appendix X (ix)

SUMMARY OF TRANSACTIONS

for the year ended April 30, 1955

1. EXCHANGE TRANSACTIONS

(a) Currency sold by Fund

		U.S. dollar equivalent
	48,750,000.00 U. S. dollars	$ 48,750,000.00
	Total sold by Fund	$ 48,750,000.00

(b) Currency purchased by Fund, from

		U.S. dollar equivalent
Colombia:	48,749,500.00 pesos	$ 25,000,000.00
Indonesia:	171,000,000.00 rupiah	15,000,000.00
Iran:	282,187,500.00 rials	8,750,000.00
	Total purchased by Fund	$ 48,750,000.00

2. REPURCHASES

(a) Currency repurchased from Fund, by

		U.S. dollar equivalent
Australia:	10,714,285.14.4 pounds	$ 24,000,000.00
Austria:	194,993,286.54 schillings	7,499,741.79
Denmark:	75,726,460.71 kroner	10,963,500.00
Ethiopia:	3,563,086.16 dollars	1,434,142.18
Finland:	690,000,000.00 markkas	3,000,000.00
France:	6,992,000,000.00 francs	20,000,000.00
Germany:	189,371,508.32 deutsche marks	45,088,454.36
India:	172,295,238.1.6 rupees	36,182,000.00
Iran:	281,625,058.70 rials	8,732,559.96
Paraguay:	7,875,000.00 guaraníes	375,000.00
Turkey:	19,600,000.00 liras	7,000,000.00
United Kingdom:	40,000,000.0.0 pounds	112,000,000.00
	Total repurchased from Fund	$276,275,398.29

(b) Currency and gold paid to Fund

U. S. dollars	$254,736,518.08
Gold: 615,396.579 fine ounces	21,538,880.21
Total currency and gold paid to Fund	$276,275,398.29

Appendix X (x)

STAFF RETIREMENT FUND

AUDITORS' CERTIFICATE

We have made an independent examination of the accounts of the Staff Retirement Fund of the International Monetary Fund for the year ended April 30, 1955. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances. In that connection, consideration was given to the authority and other requirements governing transactions of the Staff Retirement Fund.

The examination did not include a verification of the individual participants' accounts as at April 30, 1955, except for inquiry into certain of such accounts as a consequence of the application of auditing procedures to the other accounts of the Staff Retirement Fund. We ascertained, however, that the Internal Auditor of the International Monetary Fund had made a detailed audit of all participants' individual accounts as at April 30, 1955, and we satisfied ourselves that application of the auditing procedures adopted by him would be adequate to insure the correctness of such individual accounts with regard for eligibility, contributions, and interest allowed.

In our opinion, the Balance Sheet and related Statements of the Participants' Account, Accumulation Account, Retirement Reserve Account, Reserve Against Corporate Stock Investments Account, and of the Sources and Application of Funds, together with the notes appearing thereon, present fairly the financial position of the Staff Retirement Fund of the International Monetary Fund as at April 30, 1955, and the results of operations for the year ended that date, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of previous fiscal years.

/s/ L. G. D. FARMER (Australia)
/s/ JOSEF HEILIGER (Germany)
/s/ MÜNIR MOSTAR (Turkey)

Appendix X (xi)

STAFF RETIREMENT FUND

BALANCE SHEET

April 30, 1955

ASSETS

CASH IN BANK			
The Riggs National Bank, Washington, D. C.		$ 36,121.35	
The Chase Manhattan Bank, New York, N. Y.		17,745.99	$ 53,867.34
INVESTMENTS (Book Value) (See Appendix X (xviii), and Note 1, Appendix X (xix).)			
Bonds			
United States Government	$1,520,655.83		
International Bank for Reconstruction and Development (market value, $502,307.50)	503,658.89		
Commercial (market value, $586,412.50)	612,837.15	$2,637,151.87	
Corporate stocks			
Common (market value, $1,268,651.63)		873,903.09	
		$3,511,054.96	
Less: Reserve Against Corporate Stock Investments (See Note 2, Appendix X (xix).)		56,154.53	3,454,900.43
ACCRUED INTEREST ON BONDS			15,254.45
ACCRUED CONTRIBUTIONS RECEIVABLE FROM INTERNATIONAL MONETARY FUND			3,763.33
TOTAL ASSETS			$3,527,785.55

LIABILITIES AND RESERVES

ACCOUNTS PAYABLE	$ 30,640.29
PARTICIPANTS' ACCOUNT (See Appendix X (xii).)	936,253.08
ACCUMULATION ACCOUNT (See Appendix X (xiii).)	2,457,227.88
RETIREMENT RESERVE (See Appendix X (xiv).)	103,664.30
TOTAL LIABILITIES AND RESERVES	$3,527,785.55

/s/ Y. C. KOO
Treasurer

/s/ IVAR ROOTH
Managing Director

/s/ CHARLES M. POWELL
Comptroller and
Assistant Treasurer

See Notes, Appendix X (xix), which are an integral part of this Statement.

Appendix X (xii)

STAFF RETIREMENT FUND

STATEMENT OF PARTICIPANTS' ACCOUNT

for the year ended April 30, 1955

	Participating Service	Additional Contributions
BALANCE, April 30, 1954	$778,480.05	$9,040.36
Add		
Participants' contributions	$169,095.10	$2,500.00
Interest credited to participants	21,091.61	211.43
	$190,186.71	$2,711.43
Less		
Refunds upon participants' withdrawals	$ 31,660.17	$3,198.37
Refunds on death (prior to retirement)	7,167.74	
Transfer to Retirement Reserve	5.82	
Transfer to Retirement Plan of International Bank for Reconstruction and Development	2,133.37	
	$ 40,967.10	$3,198.37
	$927,699.66	$8,553.42
TOTAL (carried to Balance Sheet)	$936,253.08	

See Notes, Appendix X (xix), which are an integral part of this Statement.

Appendix X (xiii)

STAFF RETIREMENT FUND

STATEMENT OF ACCUMULATION ACCOUNT

for the year ended April 30, 1955

BALANCE, April 30, 1954			$2,093,383.56
Add			
Employer's contributions			
Participating service			333,680.12
Income from investments			
Interest on bonds		$70,095.33	
Dividends on stocks		39,338.76	
Other		136.11	109,570.20
Profit on sale or redemption of investments (net)			18,554.83
Profits			
Bonds	$ 4,299.13		
Corporate stocks	16,092.72	$20,391.85	
Less losses on bonds		1,837.02	
		$18,554.83	
			$2,555,188.71
Less			
Transfer to Retirement Reserve		$ 4,222.71	
Withdrawal benefits		6,167.54	
Death benefits (prior to retirement)		28,912.26	
Interest credited to Participants' Account		21,303.04	
Interest on Retirement Reserve		2,496.14	
Amortization of premiums, less accumulation of discounts on investments		732.59	
Transfer to Retirement Plan of International Bank for Reconstruction and Development		1,941.02	
Transfer to Reserve Against Corporate Stock Investments		32,185.53	97,960.83
TOTAL (carried to Balance Sheet)			$2,457,227.88

See Notes, Appendix X (xix), which are an integral part of this Statement.

Appendix X (xiv)

STAFF RETIREMENT FUND

STATEMENT OF RETIREMENT RESERVE ACCOUNT

for the year ended April 30, 1955

BALANCE, April 30, 1954	$ 99,702.39
Add	
Transfers from Participants' and Accumulation Accounts	4,228.53
Interest on Retirement Reserve	2,496.14
	$106,427.06
Less	
Pension payments to retired participants	2,762.76
TOTAL (carried to Balance Sheet)	$103,664.30

See Notes, Appendix X (xix), which are an integral part of this Statement.

Appendix X (xv)

STAFF RETIREMENT FUND

STATEMENT OF RESERVE AGAINST CORPORATE STOCK INVESTMENTS ACCOUNT

for the year ended April 30, 1955

BALANCE, April 30, 1954	$23,969.00
Add: Transfer from Accumulation Account	32,185.53
TOTAL (carried to Balance Sheet)	$56,154.53

See Notes, Appendix X (xix), which are an integral part of this Statement.

Appendix X (xvi)

STAFF RETIREMENT FUND

STATEMENT OF

SOURCES AND APPLICATION OF FUNDS

for the year ended April 30, 1955

FUNDS PROVIDED

Participants' contributions		
Participating service	$169,095.10	
Additional voluntary contributions	2,500.00	$ 171,595.10
Employer's contributions		333,680.12
Sales of investments (book value)		
U. S. Treasury bills	$150,915.54	
U. S. Treasury bonds	103,923.31	
Commercial bonds	115,876.58	
Corporate stocks	74,566.25	
	$445,281.68	
Add: Profits from sale of securities (net)	18,554.83	463,836.51
Income from investments	$111,620.42	
Less: Interest on bonds purchased	2,050.22	109,570.20
TOTAL FUNDS PROVIDED		$1,078,681.93

FUNDS APPLIED

Purchase of investments	$ 980,959.64
Payments to participants on withdrawal	41,026.08
Payments on death prior to retirement	36,080.00
Pension payments to retired participants	2,762.76
Transfers to Retirement Plan of International Bank for Reconstruction and Development	4,074.39
Increase in working capital between 1954 and 1955 (See Appendix X (xvii).)	13,779.06
TOTAL FUNDS APPLIED	$1,078,681.93

See Notes, Appendix X (xix), which are an integral part of this Statement.

Appendix X (xvii)

STAFF RETIREMENT FUND

STATEMENT OF CHANGES IN WORKING CAPITAL

	April 30, 1955	April 30, 1954	Increase
CURRENT ASSETS			
Cash	$53,867.34	$10,252.52	$43,614.82
Accrued interest on bonds	15,254.45	14,513.36	741.09
Accrued contributions receivable from International Monetary Fund	3,763.33	3,699.89	63.44
	$72,885.12	$28,465.77	$44,419.35
CURRENT LIABILITIES	30,640.29	—	30,640.29
WORKING CAPITAL	$42,244.83	$28,465.77	$13,779.06

See Notes, Appendix X (xix), which are an integral part of this Statement.

Appendix X (xviii)

STAFF RETIREMENT FUND

SCHEDULE OF INVESTMENTS

April 30, 1955

	Interest Rate—%	Maturity	Face Value	Book Value	
BONDS					
United States Savings, Series G	2½	1960	$250,000.00	$250,000.00	
United States Savings, Series G	2½	1961	100,000.00	100,000.00	
United States Savings, Series G	2½	1962	100,000.00	100,000.00	
United States Savings, Series G	2½	1963	65,000.00	65,000.00	
United States Savings, Series K	2.76	1966	200,000.00	200,000.00	
United States Savings, Series K	2.76	1967	81,000.00	81,000.00	
United States Treasury	2¾	1980	203,000.00	200,758.81	
United States Treasury	3¼	1983	401,000.00	416,079.21	
United States Treasury	3	1995	107,500.00	107,817.81	$1,520,655.83
International Bank for Reconstruction and Development	3½	1969	50,000.00	$ 50,000.00	
International Bank for Reconstruction and Development	3	1972	276,000.00	271,985.53	
International Bank for Reconstruction and Development	3	1976	50,000.00	50,000.00	
International Bank for Reconstruction and Development	3¼	1981	130,000.00	131,673.36	503,658.89
Commercial					
Allied Chemical and Dye Corporation—Debentures	3½	1978	25,000.00	$ 24,770.83	
American Telephone and Telegraph Company — Debentures	2¾	1980	38,000.00	38,092.82	
American Telephone and Telegraph Company — Debentures	3¼	1984	30,000.00	31,100.05	
Commonwealth Edison Company—Sinking Fund Debentures	3⅛	2004	45,000.00	43,604.50	
Connecticut Light and Power Co.—1st & Refunding Mortgages, Series "L"	2¾	1984	12,000.00	12,235.42	
Consolidated Edison Company of New York, Inc.—1st & Refunding Mortgage, Series "E"	3	1979	38,000.00	39,541.74	
Carried forward				$189,345.36	$2,024,314.72

Appendix X (xviii) (*continued*)

STAFF RETIREMENT FUND

SCHEDULE OF INVESTMENTS

April 30, 1955

	Interest Rate—%	Maturity	Face Value	Book Value	
Brought forward				$189,345.36	$2,024,314.72
Commercial (continued)					
Consolidated Natural Gas Company — Sinking Fund Debentures	3⅛	1979	30,000.00	30,756.21	
Duke Power Company—1st & Refunding Mortgage	2⅞	1979	13,000.00	13,554.18	
Illinois Bell Telephone Company—1st Mortgage, Series "A"	2¾	1981	25,000.00	25,337.67	
Kansas City Power & Light Company—1st Mortgage	3¼	1983	15,000.00	15,186.86	
New York Telephone Company — 1st & Refunding Mortgage, Series "D"	2¾	1982	37,000.00	37,520.96	
New York Telephone Company—Refunding Mortgage, Series "H"	3	1989	32,000.00	32,191.44	
Pacific Gas and Electric Company — 1st and Refunding Mortgage, Series "S"	3	1983	45,000.00	46,817.96	
Pacific Gas and Electric Company — 1st and Refunding Mortgage, Series "X"	3⅛	1984	21,000.00	21,304.16	
Philadelphia Electric Company —1st & Refunding Mortgage	2¾	1974	24,000.00	24,268.62	
Potomac Electric Power Company—1st Mortgage	2¾	1985	44,000.00	44,293.48	
Public Service Electric and Gas Company—1st & Refunding Mortgage	2⅞	1979	40,000.00	41,396.17	
Public Service Electric and Gas Company—1st & Refunding Mortgage	3¼	1984	20,000.00	20,884.79	
Standard Oil Company (New Jersey)—Debentures	2¾	1974	30,000.00	30,115.38	
Virginia Electric & Power Company—1st & Refunding Mortgage, Series "K"	3⅛	1984	39,000.00	39,863.91	612,837.15
TOTAL BONDS (carried forward)					$2,637,151.87

Appendix X (xviii) (*continued*)

STAFF RETIREMENT FUND

SCHEDULE OF INVESTMENTS

April 30, 1955

	No. of Shares	Book Value	
TOTAL BONDS (brought forward)			$2,637,151.87
CORPORATE STOCKS, Common			
Abbott Laboratories	200	$ 11,063.00	
Allied Chemical and Dye Corporation	200	19,264.18	
Aluminum Company of America	200	8,509.48	
American Can Company	440	11,086.00	
American Cyanamid Company	300	13,939.12	
American Natural Gas Company	500	15,643.69	
Atlantic Refining Company	250	7,558.53	
Atlas Powder Company	200	8,321.25	
Bankers Trust Company of New York	100	4,987.50	
Caterpillar Tractor Co.	420	19,523.58	
C. I. T. Financial Corporation	100	4,236.00	
Consolidated Natural Gas Company	300	8,950.74	
Consumers Power Company	440	15,883.20	
Continental Insurance Company	300	25,011.90	
Crown Zellerbach Corporation	200	10,362.49	
Dow Chemical Company	700	23,832.70	
DuPont (E. I.) de Nemours and Company	100	11,058.51	
Eastman Kodak Company	310	18,786.17	
Fidelity-Phenix Fire Insurance Company	200	16,961.88	
Firestone Tire & Rubber Co.	200	7,067.03	
General Electric Company	600	10,637.58	
General Motors Corporation	210	16,836.00	
Goodrich (B. F.) Company	400	14,066.00	
Guaranty Trust Company of New York	200	13,287.50	
Gulf Oil Corporation	225	8,616.00	
Hanover Bank of New York	375	14,196.88	
Hartford Fire Insurance Company	156¼	13,125.00	
Hercules Powder Company	200	12,389.33	
Idaho Power Company	400	17,321.21	
International Business Machines Corporation	84	24,793.54	
International Harvester Company	400	14,152.70	
International Nickel Company of Canada, Limited	300	11,738.25	
International Paper Company	462	19,148.03	
Lone Star Cement Corporation	400	10,278.44	
Marathon Corporation	400	11,919.00	
May Department Stores Company	400	12,062.32	
McGraw Electric Company	400	22,202.07	
Merck & Co. Inc.	900	22,476.25	
Minnesota Mining and Manufacturing Company	200	11,619.04	
Carried forward		$542,912.09	$2,637,151.87

Appendix X (xviii) (*continued*)

STAFF RETIREMENT FUND

SCHEDULE OF INVESTMENTS

April 30, 1955

	No. of Shares	Book Value	
Brought forward		$542,912.09	$2,637,151.87
Monsanto Chemical Company	100	8,922.39	
Montgomery Ward & Co., Incorporated	200	14,153.59	
National Distillers Products Corporation	500	15,062.19	
National Lead Company	600	18,464.08	
Ohio Edison Company	297	10,517.53	
Peoples Gas Light and Coke Company	120	13,537.50	
Pfizer (Chas.) & Co., Inc.	300	10,456.89	
Phillips Petroleum Company	200	12,448.38	
Pittsburgh Plate Glass Company	500	24,600.94	
Sears, Roebuck and Company	300	22,001.88	
Sherwin-Williams Company	200	14,389.82	
Socony-Vacuum Oil Company, Incorporated	600	17,833.26	
Standard Oil Company of California	100	7,967.93	
Standard Oil Company (New Jersey)	200	14,829.26	
Texas Company	300	16,043.95	
Texas Utilities Company	500	24,842.67	
Union Carbide and Carbon Corporation	300	23,744.63	
United Gas Corporation	710	18,701.64	
United States Fidelity and Guaranty Company	145	5,615.80	
United States Steel Corporation	100	7,004.46	
Westinghouse Electric Corporation	400	15,705.65	
Youngstown Sheet and Tube Company	200	14,146.56	873,903.09
TOTAL INVESTMENTS (carried to Balance Sheet)			$3,511,054.96

Appendix X (xix)

NOTES TO FINANCIAL STATEMENTS OF STAFF RETIREMENT FUND OF THE INTERNATIONAL MONETARY FUND

for the year ended April 30, 1955

1. During the year the Pension Committee amended the rules relating to the investment of funds of the Staff Retirement Plan by increasing the limiting percentage of the holdings of corporate stocks from 25 per cent to 30 per cent of total investments. The following table shows the approved limiting percentages for various bonds and corporate stocks, and the percentages and amounts (book value) of the actual investments as at April 30, 1955:

	Authorized Percentage	Actual Percentage	Book Value
Bonds			
U. S. Government	Minimum 40	43.31	$1,520,655.83
International Bank for Reconstruction and Development	Maximum 20	14.35	503,658.89
Corporate	Maximum 25	17.45	612,837.15
Corporate stocks	Maximum 30	24.89	873,903.09
		100.00	$3,511,054.96

All corporate stocks have been selected from a list prepared by the Investment Committee on the recommendation of the Investment Consultant (Chase Manhattan Bank, formerly the Chase National Bank of the City of New York).

2. Corporate stock income received during the fiscal year, in excess of 3 per cent of the weighted average corporate stock investment held during that period, has been transferred to the account "Reserve Against Corporate Stock Investments." All profits resulting from sales of corporate stocks during the year were transferred to this account.

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Appendix XI (i)

SCHEDULE OF PAR VALUES—as of June 30, 1955

CURRENCIES OF METROPOLITAN AREAS

		Par Values In Terms of Gold		Par Values In Terms of U. S. Dollars	
Member	Currency	Grams of fine gold per currency unit	Currency units per troy ounce of fine gold	Currency units per U. S. dollar	U. S. cents per currency unit
Australia	Pound	1.990 62	15.625 0	0.446 429	224.000
Austria	Schilling	0.034 179 6	910.000	26.000 0	3.846 15
Belgium	Franc	0.017 773 4	1,750.00	50.000 0	2.000 00
Bolivia	Boliviano	0.004 677 22	6,650.00	190.000	0.526 316
Brazil	Cruzeiro	0.048 036 3	647.500	18.500 0	5.405 41
Burma	Kyat	0.186 621	166.667	4.761 90	21.000 0
Canada[1]	Dollar				
Ceylon	Rupee	0.186 621	166.667	4.761 90	21.000 0
Chile	Peso	0.008 078 83	3,850.00	110.000	0.909 091
China	Yuan	Par Value not yet established			
Colombia	Peso	0.455 733	68.249 3	1.949 98	51.282 5
Costa Rica	Colón	0.158 267	196.525	5.615 00	17.809 4
Cuba	Peso	0.888 671	35.000 0	1.000 00	100.000
Denmark	Krone	0.128 660	241.750	6.907 14	14.477 8
Dominican Republic	Peso	0.888 671	35.000 0	1.000 00	100.000
Ecuador	Sucre	0.059 244 7	525.000	15.000 0	6.666 67
Egypt	Pound	2.551 87	12.188 5	0.348 242	287.156
El Salvador	Colón	0.355 468	87.500 0	2.500 00	40.000 0
Ethiopia	Dollar	0.357 690	86.956 5	2.484 47	40.250 0
Finland	Markka	0.003 863 79	8,050.00	230.000	0.434 783
France	Franc	No Par Value agreed with the Fund			
Germany, Federal Republic of	Deutsche Mark	0.211 588	147.000	4.200 00	23.809 5
Greece	Drachma	Par Value not yet established			
Guatemala	Quetzal	0.888 671	35.000 0	1.000 00	100.000
Haiti	Gourde	0.177 734	175.000	5.000 00	20.000 0
Honduras	Lempira	0.444 335	70.000 0	2.000 00	50.000 0
Iceland	Króna	0.054 567 6	570.000	16.285 7	6.140 36

India	Rupee	0.186 621	166.667	4.761 90	21.000 0
Indonesia	Rupiah	Par Value not yet established			
Iran	Rial	0.027 555 7	1,128.75	32.250 0	3.100 78
Iraq	Dinar	2.488 28	12.500 0	0.357 143	280.000
Israel	Pound	Par Value not yet established			
Italy	Lira	Par Value not yet established			
Japan	Yen	0.002 468 53	12,600.0	360.000	0.277 778
Jordan	Dinar	2.488 28	12.500 0	0.357 143	280.000
Lebanon	Pound	0.405 512	76.701 8	2.191 48	45.631 3
Luxembourg	Franc	0.017 773 4	1,750.00	50.000 0	2.000 00
Mexico	Peso	0.071 093 7	437.500	12.500 0	8.000 00
Netherlands	Guilder	0.233 861	133.000	3.800 00	26.315 8
Nicaragua	Córdoba	0.177 734	175.000	5.000 00	20.000 0
Norway	Krone	0.124 414	250.000	7.142 86	14.000 0
Pakistan	Rupee	0.268 601	115.798	3.308 52	30.225 0
Panama	Balboa	0.888 671	35.000 0	1.000 00	100.000
Paraguay	Guaraní	0.042 317 7	735.000	21.000 0	4.761 90
Peru[2]	Sol				
Philippines	Peso	0.444 335	70.000 0	2.000 00	50.000 0
Sweden	Krona	0.171 783	181.062	5.173 21	19.330 4
Syria	Pound	0.405 512	76.701 8	2.191 48	45.631 3
Thailand	Baht	Par Value not yet established			
Turkey	Lira	0.317 382	98.000 0	2.800 00	35.714 3
Union of South Africa	Pound	2.488 28	12.500 0 (or 250 shillings)	0.357 143	280.000
United Kingdom	Pound Sterling	2.488 28	12.500 0 (or 250 shillings)	0.357 143	280.000
United States	Dollar	0.888 671	35.000 0	1.000 00	100.000
Uruguay	Peso	Par Value not yet established			
Venezuela	Bolívar	0.265 275	117.250	3.350 00	29.850 7
Yugoslavia	Dinar	0.002 962 24	10,500.0	300.000	0.333 333

[1] The initial par value of the Canadian dollar, established on December 18, 1946, was 100.000 U. S. cents per Canadian dollar. On September 19, 1949, following consultation with the Fund, the par value of the Canadian dollar was changed to 90.909 1 U. S. cents per Canadian dollar. On September 30, 1950, Canada introduced a new exchange system under which the exchange value of the Canadian dollar will be allowed to fluctuate, so that for the time being Canada will not ensure that exchange transactions within its territories will be based on the par value established on September 19, 1949. No new par value has been proposed to the Fund.

[2] The initial par value of the sol, established on December 18, 1946, was 15.384 6 U. S. cents per sol. In November 1949, Peru introduced a new exchange system, but no agreement on a new par value has been reached.

Appendix XI (ii)

SCHEDULE OF PAR VALUES—as of June 30, 1955

SEPARATE CURRENCIES IN NONMETROPOLITAN AREAS OF MEMBERS

Member and Nonmetropolitan Areas	Currency and Relation to Metropolitan Unit	Par Values In Terms of Gold		Par Values In Terms of U. S. Dollars	
		Grams of fine gold per currency unit	Currency units per troy ounce of fine gold	Currency units per U. S. dollar	U. S. cents per currency unit
BELGIUM					
Belgian Congo	Franc (parity with Belgian franc)	0.017 773 4	1,750.00	50.000 0	2.000 00
FRANCE					
Algeria	Franc (parity with French franc)	No Par Value agreed with the Fund			
French Antilles					
French Guiana					
Morocco					
Tunisia					
Cameroons	CFA Franc (=2.00 French francs)	No Par Value agreed with the Fund			
French Equatorial Africa					
French West Africa					
Madagascar and dependencies					
Réunion					
St. Pierre and Miquelon					
Togoland					
French Possessions of Oceania	CFP Franc (=5.50 French francs)	No Par Value agreed with the Fund			
New Caledonia					
New Hebrides					
French Somaliland	Djibouti Franc	0.004 145 07	7,503.73	214.392	0.466 435
ITALY					
Somaliland	Somalo	Par Value not yet established			
NETHERLANDS					
Netherlands Antilles	Guilder (=2.015 Netherlands guilders)	0.471 230	66.004 9	1.885 85	53.026 4
Surinam					
Netherlands New Guinea	Guilder	Par Value not yet established			

UNITED KINGDOM					
Gambia Gold Coast Nigeria Sierra Leone	British West African Pound (parity with sterling)				
Federation of Rhodesia and Nyasaland	Southern Rhodesian Pound (parity with sterling)				
Bahamas	Bahamas Pound (parity with sterling)				
Bermuda	Bermuda Pound (parity with sterling)	2.488 28	12.500 0	0.357 143	280.000
Cyprus	Cyprus Pound (parity with sterling)				
Falkland Islands	Falkland Islands Pound (parity with sterling)				
Gibraltar	Gibraltar Pound (parity with sterling)				
Jamaica	Jamaican Pound (parity with sterling)				
Malta	Maltese Pound (parity with sterling)				
Aden British Somaliland Kenya Tanganyika Uganda Zanzibar	British East African Shilling (20 per pound sterling)	0.124 414	250.000	7.142 86	14.000 0
Barbados British Guiana Leeward Islands Trinidad Windward Islands	British West Indian Dollar (4.80 per pound sterling)	0.518 391	60.000 0	1.714 29	58.333 3
British North Borneo Brunei Malaya (Singapore and Federation of Malaya) Sarawak	Malayan Dollar (8.571 428 57 per pound sterling, or 2 shillings 4 pence per Malayan dollar)	0.290 299	107.143	3.061 22	32.666 7

Appendix XI (ii) (*continued*)

SCHEDULE OF PAR VALUES—as of June 30, 1955

SEPARATE CURRENCIES IN NONMETROPOLITAN AREAS OF MEMBERS

Member and Nonmetropolitan Areas	Currency and Relation to Metropolitan Unit	Par Values In Terms of Gold		Par Values In Terms of U. S. Dollars	
		Grams of fine gold per currency unit	Currency units per troy ounce of fine gold	Currency units per U. S. dollar	U. S. cents per currency unit
UNITED KINGDOM (*continued*)					
British Honduras	British Honduras Dollar (4.00 per pound sterling)	0.622 070	50.000 0	1.428 57	70.000 0
Fiji	Fiji Pound (1.11 per pound sterling)	2.241 69	13.875 0	0.396 429	252.252
Hong Kong	Hong Kong Dollar (16 per pound sterling)	0.155 517	200.000	5.714 29	17.500 0
Mauritius	Mauritius Rupee (13⅓ per pound sterling)	0.186 621	166.667	4.761 90	21.000 0
Seychelles	Seychelles Rupee (13⅓ per pound sterling)				
Tonga	Tongan Pound (1.250 00[1] per pound sterling)	1.990 62	15.625 0	0.446 429	224.000

[1] The relation of 1.252 5 Tongan pounds per pound sterling, as initially communicated and confirmed on September 18, 1949, was corrected on August 2, 1950 to 1.250 00.

INDEX

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INDEX