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1961

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September 18, 1961

INTERNATIONAL MONETARY FUND
WASHINGTON, D. C.

ANNUAL REPORT

1961

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INTERNATIONAL MONETARY FUND

ANNUAL REPORT OF THE EXECUTIVE DIRECTORS FOR THE FISCAL YEAR ENDED APRIL 30, 1961

WASHINGTON, D. C.

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Per Jacobsson
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
D. B. Pitblado	Raymond H. Bonham Carter
Jean de Largentaye	Jacques Waïtzenegger
Wilfried Guth	Helmut Koinzer
I.G. Patel	*Vacant*
Ahmed Zaki Saad	Albert Mansour
Gengo Suzuki	M. Kumashiro
André van Campenhout	Maurice Toussaint
Louis Rasminsky	C. L. Read
J.M. Garland	F. C. Pryor
José Antonio Mayobre	Jorge A. Montealegre
Pieter Lieftinck	H.M.H.A. van der Valk
Guillermo Walter Klein	Javier Urrutia
Maurício C. Bicalho	Gabriel Costa Carvalho
Beue Tann	I-Shuan Sun
Thorhallur Ásgeirsson	Gabriel Kielland
Sergio Siglienti	Costa P. Caranicas
Soetikno Slamet	Amon Nikoi

Directors of Departments and Offices

J.V. Mládek	Acting Director, African Department
D.S. Savkar	Director, Asian Department
Gabriel Ferras	Director, European Department
Irving S. Friedman	Director, Exchange Restrictions Department
Joseph Gold	General Counsel
Anwar Ali	Director, Middle Eastern Department
J.J. Polak	Director, Research and Statistics Department
Jorge Del Canto	Director, Western Hemisphere Department
Phillip Thorson	Director, Office of Administration
Roman L. Horne	Secretary
Y.C. Koo	Treasurer
Jean-Paul Sallé	Assistant Director, European Office (Paris)

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LETTER OF TRANSMITTAL
TO THE BOARD OF GOVERNORS

June 23, 1961

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, 1961.

Yours sincerely,

/s/

PER JACOBSSON

Chairman of the Executive Board

Chairman of the Board of Governors

International Monetary Fund

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Part I

GENERAL SURVEY

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Chapter 1

The World Payments Situation

IN contrast to the year 1959, when virtually all countries participated in world-wide expansion, the year 1960 and the early part of 1961 presented a less unified picture. Rapid growth continued in most of the European industrial countries and in Japan, but in the United States and Canada a slackening of activity was evident. The volume of exports of the primary producing countries increased, but the prices of their exports, which had risen, on the average, during 1959 and the early part of 1960, subsequently showed a slight downward tendency. Broadly speaking, the average level of commodity prices was unusually steady in the past year.

For the world as a whole, the expansionary elements considerably outweighed the contractionary elements. World industrial production, excluding the countries of the Soviet area, was almost 6 per cent greater in 1960 than in 1959, having grown by 10 per cent in the previous year; but the value of world trade increased by 12 per cent, compared with an increase of 6 per cent in 1959. The stimulus for the rise in world trade came predominantly from the booming industrial countries in Europe and from Japan, which increased their imports by nearly 20 per cent; U.S. and Canadian imports declined slightly. There was also a considerable increase, some 10 per cent, in the imports of the less industrialized countries.

Trade developments during 1960 improved in some respects the basic international payments situation. Thus in the United States, rising exports—stimulated in part by liberalization measures abroad—and slightly declining imports caused an increase in the surplus on private goods and services account from an annual rate of $2 billion in the second quarter of 1959 to annual rates of nearly $9 billion in the last quarter of 1960 and more than $9 billion in the first quarter of 1961. A surplus of this magnitude is more than sufficient to cover the whole of U.S. Government expenditure abroad for military purposes and for economic aid, plus long-term private investment, at the level of about $8 billion which these items together have averaged in recent years. It should be borne in mind, however, that the improvement in the U.S. trade position has been achieved under cyclical conditions of an intense boom in most other industrial countries and slackening activity at home. It remains to be seen whether the U.S. balance of payments will improve sufficiently to ensure a satisfactory balance when the cyclical positions of the United States and the other main industrial countries are more nearly similar.

The movement noted in the basic balance of payments of the United States was not accompanied by a corresponding reduction in the very large goods and services surpluses of some of the other industrial countries. The surplus of Germany increased slightly, to about $1.8 billion, and that of France remained at nearly $700 million. Several other industrial countries, however, particularly Italy and Japan where the rate of economic expansion was very high, reduced their surpluses substantially.

The United Kingdom, which had a current account surplus of about $150 million in 1959, had a deficit of almost $1 billion in 1960. This large deficit reflected mainly the sharp growth of imports associated with a high level of activity, the rebuilding of inventories, and the lifting of restrictions on trade with certain areas in 1959, while exports failed to rise in line with those of most other industrial countries; there was also a worsening of the invisible account. Although the increase in activity in the industrial countries benefited the exports of the primary producing countries, the imports of the latter rose faster than their exports, and the current account of the group as a whole deteriorated by some $1¼ billion. In contrast to 1959, the current account deficit of this group of countries somewhat exceeded the inflow of capital and economic aid, and on balance their reserves decreased.

For a number of industrial countries, changes in 1960 in the goods and services account were overshadowed by large movements of short-term capital, especially during the second half of the year. Initially, these movements were generally in response to cyclical changes in interest rates; subsequently, however, anticipations of possible changes in parities also began to play a role. In the United Kingdom and Germany, official discount rates were raised, mainly for the purpose of stabilizing the internal economy, while in the United States and Canada interest rates fell, under the impact of slackening business. In the United Kingdom, the inflow of short-term funds more than counterbalanced the worsening of the current account position. In Germany the inflow, added to a persistent current account surplus (net of official donations) of more than $1 billion, led to an increase of $2.2 billion in reserves. Faced by inward movements of such magnitude, the Bundesbank took a series of steps designed to reduce the inflow, and eventually lowered the discount rate, first in November 1960 and then in January 1961, by a total of 1½ per cent, to 3½ per cent. In the United Kingdom, also, the bank rate was reduced in October from 6 per cent to 5½ per cent and in December to 5 per cent. These measures, however, did not succeed in arresting the inflow of funds.

In the United States, the outflow of short-term capital in 1960 more than offset the underlying improvement in the balance of payments, and the over-all deficit rose to a peak in the second half of the year. Toward the end of the year, and again in early 1961, steps were taken that were intended to lower long-term interest rates as a stimulus to the economy without producing at the same time a decline in short-term interest rates. The stability in U.S. short-term rates, coupled with declining rates abroad, helped to moderate the outflow of short-term capital in the first quarter of 1961. Meanwhile, the underlying balance of payments continued to improve and the over-all deficit was substantially reduced.

In March 1961, Germany and the Netherlands appreciated the par values of their currencies after consultation with the Fund.

The decision to appreciate the deutsche mark by 5 per cent, effective on March 6, was made in order to lessen the expansionary pressures in the domestic economy, so as to maintain price stability, and to assist in reducing the imbalance on foreign account. The Netherlands, which conducts over 20 per cent of its import and export trade with Germany, and which was also experiencing strong expansionary pressures, appreciated its currency by the same percentage the next day. These moves were followed by large international transfers of capital, induced by an expectation that further alterations would be made by various countries. Very substantial movements of funds, the magnitude of which has been estimated at around $1 billion, occurred during the course of three or four weeks.

In this situation, two important steps were taken. The financial authorities of several countries released a joint statement in which they most emphatically denied as wholly unfounded all the rumors about further alterations of par values. At the same time, a number of central banks made arrangements to hold the currencies of the countries adversely affected by the speculation, so as to allay the pressure on exchange rates and reserves. In some respects, these arrangements represented a new form of central bank cooperation. It is a welcome development that central banks and in some instances Treasuries should thus aim, by cooperation with each other, to reduce the impact of sudden movements of funds.

Gradually in the past few years there had grown up among traders a belief in the permanence of the existing convertibility of currencies and freedom of international payments. As a consequence of this growing confidence funds flowed more freely, and in spite of some periods of speculative tension in recent years—as in 1957 and the second half of 1960—much business was conducted without forward cover. The revaluation of the deutsche mark and the guilder caused a change in market psychology. It quickly became the general practice for those holding foreign exchange positions to arrange forward cover, as a result of which a considerable spread between spot and forward quotations developed. These exchange market developments were indicative of a decline in confidence in the stability of the exchange rate structure.

Movements of short-term capital of the magnitude recently experienced are a new phenomenon in the postwar world; they present the financial authorities, especially in the leading industrial countries, with new problems. The movements have been made possible by a number of related developments: the introduction of *de facto* external convertibility of most European currencies in December 1958, by which most balances owned by nonresidents became transferable; the further step by 9 of these countries to convertibility under the Fund Agreement in February 1961; the greater freedom given to banks in most European countries, and to private individuals in some of them, to hold their assets abroad; and the three years of large deficits in the U.S. balance of payments, with substantial increases in reserves in Europe, leading to a situation of strength of European currencies that had probably not been equaled since 1914.

The international reserves of the industrial countries other than the United States increased from $19.6 billion at the end of 1959 to $24.2 billion at the end of 1960. None of these countries had any need to request assistance from the Fund, and during 1960 none of the drawings on the Fund, which totaled $280 million, was made by any of the highly industrialized countries. On the contrary, several of these countries made advance repayments to the Fund. Among the primary producing countries, the situation was different. Only a few among them were able to increase their international reserves in 1960, and for this group of countries taken as a whole, there was a slight deterioration in the international reserve position. Because of the balance of payments difficulties of several primary producing countries, it was natural that they should request assistance from the Fund. In the last year, stand-by arrangements were concluded with 18 countries in this group, and drawings were made by a further 5 countries. The contrast between the strengthening in the liquidity position of most of the industrial countries and the difficulties of many primary producing countries was thus clearly reflected in the financial transactions of the Fund. In all, repurchases amounted to $711 million in 1960, exceeding drawings by more than $400 million.

Thanks to the strength of the reserve position of the industrial countries, the strains and stresses resulting from movements of funds from one country to another—whatever the causes of those movements—have not led to the impairment of the freedom already allowed in the field of foreign payments. Indeed, the prevailing tendency has been gradually to enlarge the freedom of transactions, including capital movements for residents. Some measures were taken in Germany and Switzerland to stem the inflow of unwanted capital, mainly by reducing what could be earned, or even imposing a charge, on such inflows; but these measures did not involve any restrictions on transfers as such. It can therefore be said that solutions for problems arising from capital movements are being sought primarily along lines other than restrictions, so as to safeguard the existing degree of convertibility of currencies, which has been established after so many efforts.

Within the framework of the prevailing widespread exchange freedom, the monetary authorities have defended the exchange rate structure by utilizing their monetary reserves. They have also recently begun to adjust interest rate policies so as to reduce the stimulus to the international movement of funds in response to interest rate differentials. This has meant that, as the year advanced, increasing weight has been given in a number of countries to balance of payments considerations in the formulation of monetary policy, although not, of course, to the exclusion of considerations based on the internal cyclical situation. Difficulties have arisen from the divergence in economic trends among the highly industrialized countries. When, as has often been true in the past, the timing of cyclical movements in the different countries is more or less similar, interest rates usually move more or less together. But recently the boom in Europe and a slackening of business in the United States and Canada have complicated the situation, and it has been far from easy to determine what would be the most appropriate policy. In a rapidly expanding economy, higher interest rates would normally help to damp the boom. If, however, the higher interest rates should attract more funds from abroad, the effect would be to intensify the expansionary trend. Largely for this reason, the Netherlands and Switzerland kept their discount rates constant throughout 1960, at 3½ per cent and 2 per cent, respectively. The steps taken in Germany and the United States to adjust interest rates in the light of international considerations have already been mentioned. These limitations on monetary policy indicate a greater need for a strong and flexible fiscal policy if both inflation and recession are to be avoided.

As a further measure to discourage short-term capital inflows, some attempt has been made, particularly in Germany, following techniques that had been developed over many years, to increase the profitability of short-term capital exports at given interest rate differentials, by official intervention in the forward exchange market.

The monetary authorities have also taken steps to prevent the movement of funds from having pronounced and undesirable effects on reserves. One such step has been the prepayment of external debts, particularly to the United States, of which the largest example has been the prepayment by Germany. In some instances, the mechanism of the Fund has also been used. Thus, in the second half of 1960 the United Kingdom, receiving a heavy inflow of dollars, used some $200 million of them to accelerate its repayments to the Fund. France also made advance repayments in 1960. Another step was taken in March 1961, when, in the unsettled situation following the revaluation of the deutsche mark and the guilder, the European central banks, as already mentioned, arranged to hold balances of the currencies under pressure and to extend other inter-central-bank support. Measures such as these provide valuable support, but they do not, of course, preclude the need for financial assistance by the Fund.

The expansion of productive capacity for both manufactures and primary products in recent years, the many striking increases in productivity achieved, and the continued pursuit of more effective fiscal and credit policies, have halted the upward trend of prices. In 1960, exporters in primary producing countries benefited from the increase in demand for their products from Europe; but, in part owing to the absence of a similarly strong demand from the United States, prices of their exports on the average weakened somewhat. Thus the prices of foodstuffs and raw materials were, on the whole, stable or declining; and as increases in wages in the industrial countries were compensated by large increases of productivity, price levels in these countries remained substantially stable, even where demand was pressing against the limits of capacity.

In these circumstances, the primary producing countries are naturally eager not only to have the upward trend in economic activity in Europe continue, but also to have recovery in the United States gather momentum and lead to increased U.S. imports. For them, it is a matter of vital importance to find satisfactory outlets both for their traditional products and for such other commodities as they may produce by diversification of their economies. In particular, the primary producing countries ask the industrial countries not to seek solutions for the problems of their farmers, miners, or industrial producers, by means of policies that transfer the weight of adjustment onto the economically weaker producers in the other countries. The strength and wealth of the industrial countries should be used not only to give economic aid to the countries with lower per capita incomes, but also to absorb more readily the growing diversity of their products.

At the same time, these less developed countries will wish to put themselves in a position where their own economies produce more effectively, and where their economic and financial policies will create a climate that will encourage domestic saving, attract foreign capital, and permit the channeling of these resources into the most productive lines of investment.

In maintaining monetary stability, or in achieving it where it has so far eluded the efforts of the authorities, an increasing number of countries are laying the foundation for sound growth. While it is true that a return to stability after a protracted period of inflation will usually be followed by a certain slackening in economic activity until the business community adapts itself to the cessation of increases in general prices, experience shows that these transitional difficulties give way before long to a period of enterprise and sustained growth, especially when fostered by suitable measures toward that purpose. The Fund has been able to extend financial assistance to a number of countries which have adopted programs aimed at economic stability; it is equally anxious to contribute, within the powers given to it, as its Articles of Agreement stipulate, "to the development of the productive resources of all members."

Chapter 2

The Policies of the Fund

EARLY in 1961 the wider area of convertibility of the world's main currencies, which had been established *de facto* in December 1958, was formally completed by the acceptance by most of the countries concerned of the obligations of Article VIII of the Fund's Articles of Agreement. During the past year, and in part related to the same circumstances that permitted the extension of currency convertibility, new problems arose in the world payments situation. These have led the Fund to review ways in which it may be of increasing usefulness to its members in the new situation.

Convertibility

At the Annual Meeting of the Board of Governors in September 1959, there was a discussion of the conditions under which Fund members would give up the transitional arrangements of Article XIV of the Agreement and formally undertake to observe the obligations of Article VIII, Sections 2, 3, and 4. This discussion was pursued in the Executive Board, which adopted on June 1, 1960 the decision reproduced in Appendix I.

On February 15, 1961, 10 member countries—Belgium, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Peru, Sweden, and the United Kingdom—accepted the obligations of convertibility for their currencies as set forth in Article VIII; and in March, Saudi Arabia also announced its acceptance. The total number of countries under Article VIII has now risen to 21, since

10 other countries, all in the Western Hemisphere,[1] had previously accepted the obligations of that Article.

Countries which avail themselves of Article XIV of the Agreement are permitted to maintain and adapt restrictions on payments and transfers for current international transactions without obtaining the prior approval of the Fund. Article VIII, on the other hand, requires members which are subject to its provisions to avoid such restrictions, multiple currency practices, and discriminatory currency arrangements. The 11 countries accepting the obligations of Article VIII this year had made no, or only minor, use of restrictions on current transactions. If in future any of these countries wish to make use of such measures, they will have to obtain the prior approval of the Fund.

This move to Article VIII became possible after years of effort by the 11 countries to strengthen their internal economies and to achieve a satisfactory balance of payments and reserve position and outlook. At certain critical moments in these years, the Fund played a part by providing financial assistance to a number of these countries and by pressing for the removal of restrictions—not only in general statements of policy, but also in the annual consultations it held with all countries availing themselves of Article XIV.

The widening of the area of formal convertibility has important implications for the Fund's general activities. Over the past two years, the currencies of some of the countries concerned were increasingly drawn by other member countries, but under the Fund Agreement it was not permissible to use those currencies to make repayments to the Fund. The removal of this limitation may be an added encouragement to the use of a larger number of currencies in Fund transactions.

In accordance with the view expressed in the Executive Board's decision of June 1, 1960, that there would be great merit in voluntary discussions between the Fund and member countries

[1] Canada, Cuba, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Panama, and the United States.

under Article VIII, the Fund began in May 1961 its regular consultations under this Article. In this way, the Fund will be able to provide an effective forum for the exchange of views on monetary and fiscal, as well as payments, problems, and thus to promote international monetary and economic cooperation in a changing world. The importance and value of these arrangements is enhanced by the fact that the Fund's membership and objectives are world-wide. Discussions in the Fund are fully international in scope, and they give an opportunity to all members, large and small, to express their views and contribute to the formulation of policy.

Practically all currencies used to finance international trade and payments are now convertible under Article VIII. This constitutes an important step toward the realization of the multilateral system of payments envisaged in the Fund Agreement. It also gives added assurance that the convertibility of the major trading currencies will continue unimpaired, and that the balanced growth of world trade will not be hampered by any unwarranted use of exchange restrictions.

The substantial improvement in the payments system just described has been accompanied by a great reduction in discrimination in trade policies, although some discrimination still exists, especially as applied to some non-dollar, non-OEEC countries. The important problem on which attention should now center is that of achieving a world situation in which not only payments but also the underlying transactions themselves are free from restrictions. The Fund is cooperating closely with the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade in the international action intended to attain this result as rapidly as possible.

As the foregoing situation has developed, the Fund has been reviewing its practices and considering what adjustments in its activities will be necessary. Considerable progress in this review has been made during the last financial year. As this Report was written the review had not, however, been concluded. In the broader sense, indeed, it seems unlikely that the process of adjusting the tasks and operations of the Fund to the developing payments situation can at any time be brought to a final conclusion. The international monetary system cannot consist of fixed arrangements expected to be suitable forever, and the Fund must, within the framework of its Articles of Agreement, develop in keeping with the evolution of its members' financial and monetary needs and potentialities. The Articles give latitude for constructive arrangements that will meet the needs of members under present and foreseeable conditions.

Currencies to Be Purchased from the Fund

One aspect of adaptation in the last few years has been concerned with the currencies to be drawn from the Fund. For the first ten to twelve years of its life, the Fund, in its financial aspects, was primarily an agency from which member countries drew U.S. dollars and to which they made repayments in dollars or gold. Now that so many countries have re-established their monetary position, it is proper that drawings should be made in a wider variety of currencies. Much progress along these lines has already been made. Whereas in 1957 all drawings were made in U.S. dollars, in 1960 almost half of all drawings were in other currencies, and in recent months the proportion has been even higher. It has become well established that countries making substantial drawings consult the Managing Director as to the currencies most suitable for drawing before making their formal request for Fund assistance.

In order to integrate Fund operations into the multilateral system of world payments, drawings have increasingly been directed toward the currencies of countries that are accumulating reserves or that have relatively large reserves. As a result, the countries whose currencies are drawn hold part of their total international liquidity in the form of creditor positions in the Fund. These creditor positions represent highly liquid foreign assets, since they can be readily drawn upon as need arises. Moreover, the gold value of these assets will be maintained in accordance with the provisions of Article IV, Section 8, of the Fund Agreement.

The primary effect of the policies just indicated has been to make use of the Fund's holdings of certain currencies that are not reserve currencies. Individual drawings, especially the larger ones, have been made in a number of currencies, even though in some cases the currencies drawn were not usually held in the reserves of the drawing country. In a world of convertible currencies, a country can use any convertible foreign currency to meet a deficit in its balance of payments. It does not need to intervene in the exchange market to settle a particular transaction or its bilateral payments balance with any individual country. Individual transactions and the total of transactions with an individual trade partner are indistinguishably merged, in a situation of convertibility, into the totality of the payments and receipts of the country concerned and the payments and receipts of all its trade partners. The Fund's practices recognize these new conditions and thus assist in ensuring that drawings on the Fund are distributed over a wide range of currencies, so that not only the countries with reserve currencies are called upon to give credit to the Fund.

Some drawings of nonreserve currencies have been converted by the drawing member into a reserve currency, when this facilitated the member's use of the resources obtained from the Fund. It will be feasible in many instances to make such conversions as may be required through the exchange markets. However, a number of countries whose currencies have been drawn on a substantial scale in recent months have indicated that, where necessary, they would also be willing to convert, in direct inter-central-bank transactions, drawings of their currency.

Use of the Fund's Resources

The Fund has continued to be guided by the policies on the use of its resources which have been worked out in preceding years and outlined in previous Annual Reports. Members are given the overwhelming benefit of the doubt in relation to requests for transactions within the "gold tranche," that is, the portion of the quota which can be regarded as equivalent to the gold subscription. The Fund's attitude to requests for transactions within the "first credit tranche," that is, transactions which bring the Fund's holdings of a member's currency above 100 per cent but not above 125 per cent of quota, is a liberal one, provided that the member itself is also making reasonable efforts to solve its problems. Requests for transactions beyond these limits require substantial justification. They are likely to be favorably received when the drawings or stand-by arrangements are intended to support a sound program aimed at establishing or maintaining the enduring stability of the member's currency at a realistic rate of exchange. In accordance with all the principles outlined above, the Fund has in appropriate cases continued to receive from members seeking to purchase exchange or to enter into stand-by arrangements declarations of intent as to the programs that they intend to follow. These policies and procedures have worked well and have now stood the test of repeated application; experience has shown that they enable the Fund to conduct its operations with flexibility and dispatch, and that they serve the interest of the countries receiving assistance.

One aspect of Fund transactions on which there has been further evolution during the past year should be mentioned. Prior to February 1961, no country had outstanding drawings or a stand-by arrangement with the Fund for amounts that in the aggregate exceeded 100 per cent of its quota. The first approval for a larger amount was given in connection with a combined drawing and stand-by arrangement requested by Chile. The drawing was of Argentine pesos, with which to liquidate the balance outstanding under Chile's bilateral payments agreement with Argentina and thus to assist in the termination of that agreement. This was also the first application of a policy adopted by the Executive Directors on June 22, 1955, under which the Fund contemplated the use of its resources, where appropriate, to help to terminate bilateral payments arrangements.

All members of the Fund, large and small, have access to its resources under adequate safeguards. Drawings on the Fund occur in a variety of circumstances, and should not therefore be regarded as indicating an emergency. The authorities in a number of countries have stated that they regard use of their countries' drawing rights in the Fund as a normal way of supplementing their reserves and that they would not hesitate, if necessary, to make use of these rights. These statements provide a welcome indication of the importance which members attach to their access to the Fund as part of their over-all international liquidity position.

Use of the Fund's Resources to Finance Capital Transactions

With the greater freedom for movements of funds, new attention has been focused on the extent to which the Fund can finance balance of payments deficits due to capital movements. When the Fund began its operations in 1946, capital controls constituted a feature of the payments mechanism of most members. Since then, the evolution of financial conditions throughout the world has been characterized by increased convertibility of currencies, a return to effective exchange markets, and a large and increasing degree of freedom from exchange controls, even in the case of capital movements. In this situation, even countries exercising a strict control over capital movements by their residents have found their exchange positions at times greatly affected by them.

In these circumstances, the Executive Board has considered it desirable to re-examine the legal and policy aspects of the Fund's provisions with respect to capital movements, and it is now engaged in this task.

Increase in the Fund's Resources by Means of Borrowing

In order to promote exchange stability, which is one of its main objectives, the Fund must have substantial resources at its disposal, so as to be able to act decisively in all foreseeable circumstances.

Its resources are about $15 billion, of which more than $3 billion is in gold (including $800 million temporarily invested in U.S. Treasury bills) and more than $6 billion in convertible currencies. About two thirds of these resources arose from original contributions, and about one third from the general and special quota increases for which the initiative was taken at the Annual Meeting of the Governors in New Delhi in October 1958.

These resources should be sufficient in the aggregate for most situations that the Fund might have to meet. But circumstances may arise in which the Fund may need additional supplies of certain currencies. To meet such contingencies, the Fund is empowered by Article VII to replenish its holdings by borrowing the currency required or by purchasing it for gold.

The Executive Board is considering the use of the Fund's borrowing powers, so as to prepare in good time for such contingencies as may arise. A beginning has been made with the examination of several aspects of the question of borrowing. Although a variety of techniques can be envisaged, attention has been concentrated on the possibility of concluding credit arrangements of a stand-by nature between the Fund and the industrial countries, under which the Fund would be able to borrow supplementary amounts of their currencies whenever the need might arise. This approach looks beyond the immediate needs and endeavors to equip the Fund to handle flexibly the many and varied situations that may arise under a system of freely convertible currencies.

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Part II

THE WORK OF THE FUND

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Chapter 3

The Activities of the Fund

Fund Membership and Quotas

IN the year under review, two new members joined the Fund and several other countries applied for membership. Portugal became a member on March 29, 1961, with a quota of US$60 million. Nigeria joined the Fund on March 30, 1961, with a quota of US$50 million, bringing the total membership to 70. Laos has become a member since the end of the fiscal year; acceptance of membership by Cyprus, Nepal, and New Zealand is still pending.

Applications for membership have been received from the Republic of the Congo (Leopoldville), Liberia, Senegal, Sierra Leone, and Togo. Work on these applications is proceeding.

The Board of Governors' Resolutions of February 2 and April 6, 1959, on the Enlargement of Fund Resources Through Increases in Quotas, were adopted when the total membership of the Fund was 68. By the end of the fiscal year 1960-61, 65 members, representing 94 per cent of the Fund's quotas on January 31, 1959, had consented to increases in their quotas; 63 of them had paid the gold and currency portions of the increase, either in full or in accordance with the provisions for payment by installments pursuant to the Resolutions. The period within which the remaining 3 members may consent to increases in their quotas under these Resolutions has been extended by the Fund to December 31, 1961.

Australia, Chile, Colombia, and Yugoslavia have consented to further increases in their quotas, to $400 million, $100 million,

$100 million, and $120 million, respectively. Before 1959, each of these quotas had been one half of the new quota.

As a result of the admission of new members and the increases in quotas that had become effective during the preceding year, the aggregate of Fund quotas on April 30, 1961 was $14,850.7 million.

The members of the Fund, their quotas, voting power, Governors, and Alternate Governors on April 30, 1961 are listed in Appendix II, and changes in membership of the Board of Governors in Appendix III. The Executive Directors and Alternate Directors and their voting powers are shown in Appendix IV, and changes in membership of the Executive Board in Appendix V.

Use of the Fund's Resources

The main characteristic of the past financial year, from the point of view of the Fund, was a sharp divergence of experience between the less developed member countries and industrial countries. Persistent payments problems led many of the former to have recourse to the Fund's resources. All drawings during the year were made by nonindustrial countries. At the same time, widespread improvements in reserve positions, especially those of the industrial countries, led to greater repurchases. Purchases and repurchases are listed in Tables 1 and 2. The purchases during the financial year, amounting to the equivalent of $577 million, were the fourth highest in the Fund's history, and higher than total purchases reported in the two previous financial years together. Repurchases, which totaled the equivalent of $659 million, were the highest in any reporting year of the Fund. A number of these repurchases were made in advance of commitments or in the absence of repurchase obligations; thus, they reflect not only the enhanced reserve positions of the members concerned but also in part the desire of these members to improve their second line of reserves in the form of full drawing rights in the Fund.

The most important change in the pattern of Fund transactions during the financial year was a greater use of currencies other than

TABLE 1. PURCHASES OF CURRENCY FROM THE FUND, FISCAL YEAR ENDED APRIL 30, 1961

(In millions of U.S. dollars)

Member Purchasing	Argentine Pesos	Canadian Dollars	French Francs	Danish Kroner	Deutsche Mark	Italian Lire	Netherlands Guilders	Pounds Sterling	U.S. Dollars	Total
	←——U.S. dollar equivalent of local currencies purchased——→									
Argentina					7.00		10.50		31.50	49.00
Australia		10.00	15.00		55.00	15.00	10.00	30.00	40.00	175.00
Bolivia									1.00	1.00
Brazil			5.00		9.00			9.00	24.70	47.70
Ceylon					5.62			5.62		11.25
Chile	16.00		5.00		15.00	5.00				41.00
Colombia									25.00	25.00
Dominican Republic									2.00	2.00
Ecuador									5.00	5.00
El Salvador									11.25	11.25
Honduras									3.75	3.75
Iceland				0.80	2.50			0.20	0.50	4.00
Iran					5.00			25.00	15.00	45.00
Nicaragua									1.50	1.50
Pakistan									12.50	12.50
Paraguay									1.00	1.00
Philippines									6.25	6.25
United Arab Republic										
Egyptian Region								27.30		27.30
Syrian Region									15.00	15.00
Union of South Africa					18.75			18.75		37.50
Yugoslavia			5.00		16.00	10.00	5.00	5.00	14.00	55.00
Total[1]	16.00	10.00	30.00	0.80	133.88	30.00	25.50	120.88	209.95	577.00

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

U.S. dollars. From the beginning of Fund operations through April 30, 1958, 91.7 per cent of all purchases had been in U.S. dollars. During the past financial year, on the other hand, only 36.4 per cent was in U.S. dollars, and during the second half of the year the percentage fell to 25.6. Purchases of deutsche mark, Netherlands guilders, and French francs substantially exceeded

TABLE 2. REPURCHASES OF CURRENCY FROM THE FUND, FISCAL YEAR ENDED APRIL 30, 1961

(In millions of U.S. dollars)

Member Repurchasing	U.S. Dollars	Canadian Dollars	Sterling	Gold	Total
		← *U.S. dollar equivalent*		→	
Argentina	11.50				11.50
Bolivia	1.79				1.79
Burma	4.00		4.00		8.00
Chile	18.47			0.16	18.63
Colombia	2.40			—[1]	2.40
El Salvador	1.43			0.57	2.00
France	71.76			109.32	181.08
Haiti	1.31				1.31
Honduras	1.25				1.25
India	22.50				22.50
Indonesia	32.00				32.00
Paraguay	1.00				1.00
Philippines	2.92				2.92
Spain	37.67	0.38	5.60	6.36	50.00
Sudan	0.42				0.42
Turkey	3.00				3.00
United Arab Republic					
Egyptian Region	12.71				12.71
United Kingdom	298.58				298.58
Yugoslavia	7.50				7.50
Total[2]	532.22[3]	0.38	9.60	116.41[3]	658.60

[1] Less than $50,000.
[2] Totals may not equal sums of items because of rounding.
[3] In addition, Japan substituted gold equivalent to $15.18 million for U.S. dollars.

previous purchases of these currencies, and the Italian lira, the Danish krone, and the Argentine peso were added to the list of currencies drawn. As a consequence of large repurchases made with U.S. dollars and the increased sales of other currencies, the Fund's smallest holdings, expressed as a percentage of the member's quota, on April 30, 1961 were those of deutsche mark.

The acceptability of European currencies for drawings has been enhanced by their external convertibility (since December 1958) and by the acceptance by the countries concerned of the obligations of Article VIII. This step has also made their currencies eligible for use in repurchases from the Fund (to the extent that the Fund's holdings of them are below 75 per cent of quota). In February 1961, for the first time in the Fund's history, sterling was used for a repurchase.

As in previous years, members continued to make frequent use of stand-by arrangements as a practical tool for dealing with acute or anticipated payments problems. In fact, during the year under review, more stand-by arrangements were entered into or renewed than during any previous financial year of the Fund. A number of members—Australia, Guatemala, Turkey, the United Arab Republic (Syrian Region), Uruguay, and Yugoslavia—requested for the first time the Fund's assistance in the form of stand-by arrangements. Leaving aside the very large U.K. stand-by arrangement which lapsed in 1960, the total of stand-by credits entered into or renewed during the financial year 1960-61, listed in Table 3, was the highest in the Fund's history. A number of members did not find it necessary to draw on their stand-by arrangements during the year, and others did not request a renewal of those expiring.

As in the last few previous years, the provision in Article V, Section 3, of the Fund Agreement which limits a member's drawing to 25 per cent of its quota in any 12-month period was waived by the Executive Board in many transactions. In one instance, as noted in Chapter 2, a combined drawing and stand-by arrangement raised for the first time the potential net use of the Fund's resources by a member above 100 per cent of quota.

All stand-by arrangements that were either entered into or renewed during the course of the year were for a period of 12 months, except those with El Salvador, Iceland, and the United Arab Republic (Syrian Region).

The Fund's liquidity position improved greatly during the year. The excess of repurchases over drawings strengthened its holdings of gold and convertible currencies, and the acceptance of formal convertibility by a number of members added the equivalent of US$3,280 million to the total of formally convertible currencies, which is now larger than at any time in the Fund's history. On April 30, 1961 the Fund's holdings of gold and convertible currencies amounted to $9,788 million (65.2 per cent of its total assets). Moreover, the steady widening of the range of Fund currencies used in drawings has enhanced the general usability of these liquid assets.

TABLE 3. FUND STAND-BY ARRANGEMENTS WITH MEMBERS, FISCAL YEAR ENDED APRIL 30, 1961[1]

(In millions of U.S. dollars)

Member	Date of Inception	Date of Expiration	Amount	Amount Available April 30, 1961
Argentina	Dec. 3, 1959	Dec. 2, 1960	100.00	—
	Dec. 12, 1960	Dec. 11, 1961	100.00	100.00
Bolivia	May 18, 1959	Sep. 30, 1960	1.50	—
Chile	Feb. 16, 1961	Feb. 15, 1962	75.00	50.00
Colombia	Oct. 22, 1959	Oct. 21, 1960	41.25	—
	Nov. 1, 1960	Oct. 31, 1961	75.00	50.00
Dominican Republic	Dec. 22, 1959	Dec. 21, 1960	11.25	—
El Salvador	Oct. 1, 1960	Mar. 31, 1961	11.25	—
Guatemala	June 6, 1960	June 5, 1961	15.00	15.00
Haiti	Oct. 1, 1959	Sep. 30, 1960	4.00	—
	Oct. 1, 1960	Sep. 30, 1961	6.00	6.00
Honduras	Mar. 7, 1960	Mar. 6, 1961	7.50	—
Iceland	Feb. 23, 1960	Feb. 22, 1961[2]	5.63	—
	Feb. 16, 1961	Dec. 31, 1961	1.63	1.63
Iran	Oct. 10, 1960	Oct. 9, 1961	35.00	20.00
Morocco	Nov. 15, 1959	Nov. 14, 1960	25.00	—
Nicaragua	Nov. 3, 1960	Nov. 2, 1961	7.50	6.00
Paraguay	Aug. 13, 1959	Aug. 12, 1960	2.75	—
	Oct. 10, 1960	Oct. 9, 1961	3.50	2.50
Peru	Mar. 1, 1960	Feb. 28, 1961	27.50	—
	Mar. 1, 1961	Feb. 28, 1962	30.00	30.00
Spain	Aug. 17, 1959	Aug. 16, 1960	25.00	—
	Aug. 17, 1960	Aug. 16, 1961[3]	25.00	—
Turkey	Jan. 1, 1961	Dec. 31, 1961	37.50	37.50
United Arab Republic				
Syrian Region	May 2, 1960	Nov. 1, 1960	7.50	—
Venezuela	Apr. 7, 1960	Apr. 6, 1961	100.00	—
Yugoslavia	Jan. 1, 1961	Dec. 31, 1961	30.00	20.00
Total				338.63

[1] Other stand-by arrangements concluded during the year and the dates on which they became effective are as follows (in millions of U.S. dollars):

Australia	100.00	May 1, 1961
Honduras	7.50	May 1, 1961
Uruguay	30.00	June 6, 1961

[2] Canceled on January 13, 1961.
[3] Canceled on March 20, 1961.

Stabilization and Other Programs

As in previous years, most transactions with members were designed to facilitate the adoption or continuation of stabilization programs. Five countries (Chile, Guatemala, Iran, Nicaragua, and Turkey) entered into new stand-by arrangements, and seven (Argentina, Colombia, Haiti, Honduras, Iceland, Paraguay, and Peru) secured a renewal or extension of stand-by arrangements, for this purpose. Countries whose stand-by arrangements expired during the financial year were generally continuing the stabilization policies which these arrangements had supported. One of these countries, Chile, whose situation had deteriorated as a result of disastrous earthquakes, entered into a new and much larger stand-by arrangement. Early in 1961, the Fund, simultaneously with U.S. and Western European public and private entities, provided financial assistance to Yugoslavia, in order to facilitate a comprehensive reform of its exchange and restrictive system preparatory to a further multilateralization of payments. This assistance included a stand-by arrangement with the Fund.

The support of stabilization programs continues to be a highly important aspect of the Fund's work in promoting exchange stability and orderly exchange markets. The general nature of the stabilization programs that are undertaken with assistance from the Fund, and the problems encountered in implementing them, have been described in previous Annual Reports.[1] Several of the programs that were endorsed by the Fund in past years were aimed at, and have been successful in, eliminating inflation as a source of balance of payments disequilibrium and as an obstacle to balanced economic growth. As shown in Chapter 5, inflation has, to a great extent, been brought under control in countries that have adopted and implemented a comprehensive set of appropriate monetary, fiscal, and exchange policies. More recently, the disequilibria toward which stabilization programs have been directed, while still generally attributable in large part to expansionary financial policies, were in several cases aggravated by extraneous factors;

[1] See, e.g., *Annual Report*, 1959, pages 70-74.

among them were the earthquakes in Chile, a continued decline in export prices and foreign aid in Guatemala, and poor crops in Nicaragua. In each of these countries the stabilization program was designed to adapt domestic financial policies to the change in the economic situation brought about by such events. The financial assistance from the Fund gave them more time to take the measures necessary to restore internal and external balance.

In *Chile,* a large budget deficit was the primary factor responsible for an accelerated rate of monetary expansion and a sizable loss of reserves in the second half of 1960. The stabilization program for 1961 limits the budget deficit, net of debt amortization, to approximately the amount of foreign financing available. In addition, the program specifies that there shall be no net expansion in central bank credit to the private sector for 1961 as a whole. The Government is planning a comprehensive reform of the tax system in 1961 with a view to eliminating the budgetary deficit, which has been the major source of inflation in the past.

The stabilization programs adopted in *Guatemala* and *Nicaragua* provide for restraining domestic demand by reducing the Government's net indebtedness to the central bank and by placing limits on central bank credit to the private sector. In addition, Guatemala has increased the reserve requirements to be observed by the banks. In both countries, the credit ceilings set by the programs allow for a certain degree of flexibility, expansion to meet seasonal requirements in one part of the year being offset, or more than offset, by subsequent contraction.

Argentina continued to implement the comprehensive stabilization program adopted at the end of 1958. Initially, the removal of most price controls and exchange restrictions resulted in a considerable rise in prices and a depreciation of the exchange rate. In the second half of 1959, however, the rise in prices was moderate, the exchange rate was stabilized, and foreign exchange reserves increased substantially. These developments permitted a further liberalization of the exchange system. Although labor disputes and the elimination of price distortions inherited from the inflationary period led to a temporary decline in economic activity during 1959, a basis was laid for a marked revival in 1960 which continued into 1961. The renewal, in December 1960, of the stand-by arrangement with the Fund facilitated the continued pursuit of more flexible monetary and fiscal policies.

The stabilization policies adopted by *Spain* and *Peru* in 1959 were continued in 1960, with some modifications. The exchange reserves of both countries increased substantially, and there was little change in the price level. Peru's national income increased by 11 per cent—a larger growth than had been achieved for many years at least. In Spain, internal rigidities persisted, and economic activity remained unchanged during most of the year. Certain of the credit restrictions implemented in 1959 were relaxed somewhat to provide an impetus to business. In January 1961, Spain canceled a line of credit for $71 million which it had obtained from commercial banks in the United States in connection with its stabilization program, and repaid $24 million drawn from the European Fund in mid-1959. On February 24, 1961, Spain canceled the undrawn part, amounting to $75 million, of the credit extended to it by the OEEC, and in March it canceled the stand-by arrangement with the International Monetary Fund which had been renewed in August 1960. In April 1961 it repaid US$15.4 million and £2 million to the International Monetary Fund, thereby completing in advance of the scheduled dates the repurchase of the US$50 million obtained from the Fund in August 1959.

Colombia's stand-by arrangement, initiated in 1959, was extended in November 1960 in order to support efforts to stem a renewed deterioration in the balance of payments. This deterioration was attributable both to a decline in export earnings and to a sharp rise in imports, due in turn to a relaxation of the credit restrictions imposed under the stabilization program of 1959.

The stabilization program adopted by *Iran* in October 1960 was designed to reverse the considerable decline since 1958 in foreign exchange reserves. Despite a substantial income from oil and from external aid, reserves had decreased as investment was financed by a large-scale expansion of credit, both to the public and to the private sector. The program provides for a cash surplus in the ordinary budget, to offset part of the expansionary effect of planned development expenditures and of credit expansion to the private sector, the rate of which is to be reduced.

The renewal in October 1960 of stand-by arrangements with the Fund for *Paraguay* and *Haiti,* in support of stabilization policies, was related to an actual or prospective decline in export receipts resulting from a fall in production. Early in 1961, *Iceland* renewed the unused part of its stand-by arrangement and obtained additional assistance from other sources, because internal adjustments to the comprehensive stabilization program adopted in February 1960 had not been completed.

Summary of Transactions

From the inception of Fund operations, 43 members have purchased currency from the Fund, and, in addition, 3 members have had stand-by arrangements without drawing on them. Of these 46 members, 18 are in Latin America, 12 in Europe, 5 in the Middle East, 7 in the Far East, and 4 in Africa. The total amount purchased from the Fund is equivalent to US$4,022 million. A summary of all Fund transactions from the beginning of operations to date, i.e., from March 1, 1947 to April 30, 1961, is given in Table 4. Fuller details appear in Appendix VI. Repayments by 37 members were effected either through repurchases in gold or convertible currencies or as a result of purchases of their currencies by other members. The total amount of purchases still outstanding on April 30, 1961 was equivalent to US$1,093 million. On that date, the amounts drawn had been outstanding for the following periods:

	Amount in millions of U.S. dollars	Number of members involved
12 months or less	577.00	21
13 to 18 months	78.69	6
19 to 24 months	25.60	5
25 to 30 months	23.76	4
31 to 36 months	115.61	8
37 to 48 months	154.65	7
49 to 60 months	117.17	5

All purchases made prior to May 1, 1956 by present Fund members have been fully reversed. In addition to repurchases in repayment of drawings, repurchases have been made by 19 of the 33 members that had paid less than 25 per cent of their original subscriptions in gold. The total of such repurchases, in excess of any previous transactions that these members may have had with the Fund, is equivalent to US$248 million.

TABLE 4. SUMMARY OF FUND TRANSACTIONS, FISCAL YEARS ENDED APRIL 30, 1948-61

(In millions of U.S. dollars)

	Total Purchases by Members	Total Stand-By Arrangements in Force at End of Fiscal Year	Total Repurchases by Members[1]
1948	606.04	—	—
1949	119.44	—	—
1950	51.80	—	24.21
1951	28.00	—	19.09
1952	46.25	—	36.58
1953	66.12	53.00	184.96
1954	231.29	90.00	145.11
1955	48.75	90.00	276.28
1956	38.75	97.50	271.66
1957	1,114.05	968.90	75.04
1958	665.73	884.28	86.81
1959	263.52	1,132.84	537.32
1960	165.53	291.88	522.41
1961	577.00	338.62	658.60
Total[2]	4,022.28		2,838.05

[1] These figures include amounts repurchased in excess of previous drawings (which reduced the Fund's holdings of the members' currencies below the amounts originally paid on subscription account). They exclude sales of currencies of members that had previously drawn (made when the Fund's holdings were above 75 per cent of the members' quotas)—sales totaling, with other minor adjustments, $339 million and having the effect of repayments.

[2] Totals do not equal sums of items because of rounding.

Fund Charges

The Fund's holdings of a member's currency in excess of its quota are subject to charges. Since the beginning of the Fund's operations, 38 members have paid such charges. Currently, 21 members are paying charges on balances in excess of quota, the amount incurred during the year under review totaling $11.0 million, compared with $16.9 million during the previous year. At present, 4 members are paying part of the charges in their own currencies in accordance with the provision of the Fund Agreement that permits such payments if a member's monetary reserves are less than half its quota. Service charges on drawings totaled $2.9 million in the past financial year, compared with $0.8 million in the year ended April 30, 1960. Commitment charges for stand-by arrangements, which are credited against the service charges in proportion to the drawings made under the stand-by arrangements, totaled $1.0 million during the year under review.

The present schedule of charges, which has been in effect since January 1, 1954, was reviewed and extended by the Executive Board until April 30, 1962.

Computation of Monetary Reserves

By the end of the financial year, all Fund members except 3 had submitted data for the calculation of their monetary reserves on April 30, 1960. None of these 3 members could have incurred a repurchase obligation.

Gold Transactions Service

During the year under review two new international organizations, the Inter-American Development Bank and the International Development Association, were added to the list of parties which may use the Fund's gold transactions service. Since the inauguration of the service in March 1952, 5 international organizations and the central banks of 25 member countries have purchased or sold gold through the facilities provided by the Fund. The completion of 7 transactions, totaling about $110 million, was facilitated by the Fund during the past year. The total number of transactions since March 1952 is 114, amounting to about $1,056 million.

Consultations on Exchange Restrictions

Members of the Fund maintaining exchange restrictions under Article XIV of the Fund Agreement are required to consult with the Fund annually concerning the retention of these restrictions.

During the financial year 1960-61, consultations were completed with 38 member countries; in each instance Fund staff members visited the member country.

The annual consultations under Article XIV continue to provide valuable opportunities for the Fund and its members to collaborate to achieve the Fund's objectives. They have, over the course of time, enabled the Fund to acquire a closer and more continuous understanding of the economic policies and problems of the member countries—particularly in regard to monetary and financial developments and their impact upon the international economy. This understanding helps the Fund to assess the need for retention of exchange restrictions by members. In recent years, the Fund's reviews of restrictive systems, and the technical facilities and advice given by the Fund in this connection, have been instrumental in hastening the progress made by a number of countries toward a significant reduction, or the elimination, of exchange restrictions.

The consultations under Article XIV have in some cases been associated with requests for stand-by arrangements or drawings from the Fund in support of the comprehensive stabilization programs discussed above, or other efforts to protect the currency. In several countries, simplification of the exchange system has been an important feature of these plans. During the year under review, consultations with two countries, Turkey and Yugoslavia, were held shortly before such programs were instituted. They made possible a valuable exchange of views between the Fund and the members on the forthcoming programs and the need for Fund assistance. Several other consultations have included reviews of the progress of stabilization efforts already in effect, and discussions on the renewal of stand-by arrangements with the Fund.

A number of the consultations held during the year, as well as some less formal contacts, included an examination of the conditions under which the members might cease to avail themselves of the transitional arrangements of Article XIV and assume the obligations of Article VIII, Sections 2, 3, and 4. Following the decision of the Executive Board on June 1, 1960, reproduced in Appendix I, consultations and discussions with a number of member countries were undertaken to clarify the exact nature of any restrictions that might require the approval of the Fund under the terms of Article VIII.

For the 21 countries which have accepted the obligations of Article VIII, consultations on exchange restrictions with the Fund are mandatory only when the members maintain or introduce restrictions that require Fund approval under the terms of Article VIII. However, the Executive Board decision referred to above also recorded the Fund's belief that "there is great merit in periodic discussions between the Fund and its members even though no questions arise involving action under Article VIII. Such discussions would be planned between the Fund and the member, including agreement on place and timing, and would ordinarily take place at intervals of about one year." The Fund continues to believe that these periodic discussions, which began in May 1961, will be very useful.

Cooperation with Other International Organizations

The Fund works closely, both in the technical field and on broader matters, with other international organizations with which it has related interests—in particular with the United Nations and its regional and technical bodies, the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (GATT), the Organization for European Economic Cooperation, the International Bank for Reconstruction and Development, and the Bank for International Settlements.

The Managing Director addressed the 30th and 31st Sessions of the UN Economic and Social Council (ECOSOC) and took part in the 31st Session of the UN Administrative Committee on Coordination. The Fund was also represented at a number of other United Nations meetings, including those of the General Assembly; the Economic Commissions for Africa, for Asia and the Far East, for Europe, and for Latin America; the Commission on International Commodity Trade; the Special Fund; the Conference of European Statisticians; the Tin Conference; and the ECOSOC Statistical Commission.

The Managing Director attended the Annual Meeting of the Bank for International Settlements. The Fund was also represented at meetings of the Organization of American States, the Inter-American Development Bank, and the Central Bank Technicians of the American Continent.

In the period under review, Fund missions again took part in the sessions of the CONTRACTING PARTIES to the GATT. The Fund was also represented at meetings of the GATT Council of Representatives, which was set up in 1960. As in the past, the CONTRACTING PARTIES consulted with the Fund in connection with their regular consultations with individual governments on import restrictions maintained for balance of payments reasons, as well as in connection with other matters where balance of payments questions were involved. For the member countries consulting under the balance of payments provisions of the GATT, the Fund has continued to provide the CONTRACTING PARTIES with decisions taken in the course of its consultations with these countries under Article XIV of the Fund Agreement, together with relevant background material. Representatives of the Fund have attended and participated in the meetings of the Committees assigned to carry out the GATT consultations.

During their session in the autumn of 1960, the CONTRACTING PARTIES reviewed their procedures for dealing with any new or increased use of import restrictions for balance of payments purposes. At that time, the Fund representative stated that the Fund was prepared, in such cases, to analyze the country's situation as expeditiously as circumstances permitted and to consult with the CONTRACTING PARTIES immediately upon arriving at a conclusion, so as to facilitate consideration by the CONTRACTING PARTIES. It was noted that expeditious action by the Fund would depend on the prompt receipt of relevant information from the country concerned. In this connection, attention was drawn to paragraph 4 of the Fund's decision of June 1, 1960, which indicated the desire of the Fund to continue to cooperate with the CONTRACTING PARTIES in such matters. The CONTRACTING PARTIES were satisfied that the establishment of the GATT Council of Representatives, and close cooperation with the Fund, would enable consultations on any new restrictions or substantial intensification of restrictions to be instituted without delay. In February 1961, the Fund cooperated with the CONTRACTING PARTIES in their first consultation in accordance with these procedures.

Representatives of most of the above organizations sent observers to the Annual Meeting of the Fund's Board of Governors in September 1960.

Chapter 4

The Administration of the Fund

Staff

ON April 30, 1961 the Fund staff numbered 474, including 10 temporary employees and 6 on extended leave. The net increase during the year was 23. The total number of nationalities on the staff was 52. The Fund has sought to recruit staff members on as wide a geographic basis as possible. During the year, 70 persons from 24 countries were appointed to the staff.

As in the past few years, the Fund has continued to provide experts for technical assistance requested by members, and also by prospective member countries, to deal with a variety of problems including monetary stabilization programs, central banking legislation, and fiscal reforms. During the past year, assignments for a 12-month period were arranged for 9 countries, in some cases renewing earlier assignments, and staff members were assigned to several other countries for shorter periods. One staff member was on loan to the United Nations during the year, for technical assistance in a member country.

Finance

At the end of the financial year, the Fund's operating income of $14,551,000 exceeded its total expenditure by $7,194,493. This amount was transferred provisionally to a General Reserve pending action by the Board of Governors.

The Fund's program of investing a part of its gold holdings in U.S. Government securities, with the understanding that the same quantity of gold can be reacquired whenever the investment is terminated, was extended during the year. By a decision of the Executive Directors, recorded in Appendix I, the amount invested was increased from $500 million to $800 million. The income from the Fund's investments, amounting to $19,866,077 for the financial year, was credited to a Special Reserve, which on April 30, 1961 showed a balance of $42,164,890.

The administrative budget approved by the Executive Directors for the period May 1, 1961–April 30, 1962 is presented in Appendix VII. The principal feature of the new budget is the establishment of a new department, the African Department. A tabulation showing comparative income and expenditure figures for the fiscal years 1959, 1960, and 1961 is given in Appendix VIII.

The Executive Board requested the Governments of Italy, Japan, and the United States to nominate members of the Audit Committee. The following nominations were made and confirmed: Mr. Savino Spinosi, Department Director, Italian Ministry of the Treasury; Mr. Takeo Yumoto, Auditor, Bank of Japan; and Mr. Samuel J. Elson, Deputy Commissioner, Central Reports, Bureau of Accounts, U.S. Treasury Department. The report of the Committee is submitted separately. Appendix IX gives the Auditors' Certificate, together with the audited Balance Sheet for April 30, 1961, the audited Statement of Income and Expenditure with supporting schedules, and audited financial statements of the Staff Retirement Fund.

Publications

The Fund's regular program of publications was maintained in 1960-61. The list includes the *Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1960* (Fifteenth Annual Report); the *Eleventh Annual Report on Exchange Restrictions;* the *Summary Proceedings of the Fifteenth Annual Meeting* *of the Board of Governors;* the *Balance of Payments Yearbook,* Volume 12, 1958-59; *Staff Papers,* Volume VIII, Number 1; the monthly *International Financial Statistics,* with a *Supplement to 1961/62 Issues* containing annual material for 1937 and 1948-51 and quarterly data for 1957 and 1958; and the weekly *International Financial News Survey.* The monthly *Direction of International Trade* is published jointly with the International Bank for Reconstruction and Development and the Statistical Office of the United Nations.

Training

The Fund's Training Program has continued to cover the three areas of work described in last year's Annual Report: the operational work of the Fund; financial policies for economic development and balance of payments equilibrium; and the compilation and use of various economic and financial statistics to analyze economic conditions for the purpose of policy formation. In the last two areas new study materials are being tried out each year, and progress is being realized constantly in shaping the Program to the practical needs of member governments.

The number of participants in the Fund's Training Program for 1960-61 totaled 23. This represented a small decline from the previous year, as several applicants who had been accepted found themselves unable to leave their government posts at the appointed time. To meet the needs of similar applicants in the future, consideration is being given to increasing the number of short-term appointments and also to condensing the amount of study material so that the time available may be used more intensively. Since the inception of the Program in 1951, there have been 214 participants from 62 member countries.

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Part III

INTERNATIONAL PAYMENTS RELATIONS

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Chapter 5

National and International Background and Policies

General Features

INTERNATIONAL transactions in 1960 were strongly influenced by the divergent movements in the trade cycles of the principal industrial countries in North America, Western Europe, and Japan, which brought about major changes in the pattern of world trade. The effect of these changes upon the structure of international payments was, however, offset by very large capital movements associated with the divergent economic trends, and intensified by the financial policies adopted to induce or restrain economic expansion in different countries.

Initially, the United States led the other industrial countries[1] in the economic expansion that followed the 1957-58 recession. However, after mid-1959 the rise in economic activity became more vigorous in Europe and Japan, and early in 1960 the expansion was halted in the United States, whereas it continued in most of the other industrial countries.[2] Consequently, the

[1] In the discussion of general economic developments in this Report, countries are classified as "industrial" or "less industrialized." This is similar to, but not identical with, the classification used in the analysis of trade and payments developments, which distinguishes between countries exporting mainly manufactures and those exporting mainly primary products. The term "industrial countries" is interpreted as including certain countries, i.e., Australia, Canada, New Zealand, and the Union of South Africa, which export mainly primary products but which have highly developed financial systems and a substantial degree of industrialization.

[2] All the comments in this chapter relating to developments in production and employment in a specific part of the year refer to seasonally adjusted data.

marked deterioration in the trade balance of the United States and the improvement in that of other industrial countries were reversed during the second half of 1959, and in 1960 the United States achieved an unusually large trade surplus. Despite a reduction in exports to the United States, there was a further rise in the total value of primary producing countries' exports from 1959 to 1960, and unlike 1959 their imports also rose substantially. However, the upward trend of exports leveled off during 1960, as the prices of primary products declined in the latter part of the year; and in the last quarter the value of exports was lower than a year earlier.

The different cyclical developments during 1959 in the United States, compared with Western Europe and Japan, had already given rise to opposite changes in the balance of current transactions and of private capital movements. The deterioration between 1958 and 1959 in the U.S. balance on current account with the other manufacturing countries was in part offset by an improvement in the U.S. balance of private capital transactions, as both short-term and portfolio capital tended to move from Europe to the United States. In the changed circumstances of 1960, when an easing of activity became apparent in the United States but rapid expansion continued in many European countries and Japan, the contrast between the United States and the other countries was much sharper than in 1959, and the incentives for large-scale international movements of capital were greatly increased. The different trends of demand prompted sharply divergent monetary policies; and toward the end of the year, movements of short-term capital in response to interest differentials were reinforced by speculative movements. In contrast to 1959, the very considerable changes in the balance of private capital more than offset the changes in the current account position of several countries, notably the United States, the United Kingdom, the Netherlands, Switzerland, and Japan. Movements of private capital had the perverse effect of increasing the payments surplus of the Federal Republic of Germany and the deficit of the United States.

Early in 1961, signs of a greater international coordination of policies were apparent as the gap between interest rates in the United States and in other industrial countries narrowed, and the deutsche mark and the guilder were appreciated. While the decline of activity in the United States was leveling off, a further improvement in its underlying balance of payments position was accompanied by a reduction in the outflow of private capital.

Production, Employment, and Prices in the Industrial Countries

The different phasing of the business cycle in various countries was reflected in the divergent rates of growth of production in Europe and Japan, on the one hand, and in North America (the United States and Canada), on the other (Table 5). World industrial production (outside the U.S.S.R. and associated countries) was almost 6 per cent higher in 1960 than in 1959, compared with a rise of 10 per cent from 1958 to 1959. Industrial production in North America was only 3 per cent higher than in 1959, following a rise of 13 per cent from 1958 to 1959. Output continued to increase significantly in Europe and Japan, but in both the United States and Canada the slight increase in the total volume of production in 1960 was due wholly to increases in the early part of the year.

In North America, 1960 was characterized by a moderate growth of final sales (i.e., other than for inventories), increasing unutilized capacity, and a rise in the unemployment rate. In the United States, unemployment averaged about the same as in 1959 but rose to 6.8 per cent in December 1960. In Canada, the rate reached 7.9 per cent at the end of 1960, compared with 6.3 per cent at the end of 1959. The mild decline in economic activity in the United States after the middle of 1960 was, as on similar occasions in the past, closely related to a reversal of an accumulation of inventories. In the first quarter of 1960, inventories rose at an

TABLE 5. PERCENTAGE CHANGES[1] IN REAL GROSS NATIONAL PRODUCT, INDUSTRIAL PRODUCTION, UNEMPLOYMENT RATE, WAGES, AND COST OF LIVING, SELECTED COUNTRIES, 1959, 1960, AND FIRST QUARTER OF 1961

	Real Gross National Product		Industrial Production			Unemployment Rate			Wages			Cost of Living		
	1959	1960	1959	1960	1961, 1st Quarter	1959	1960	1961, 1st Quarter	1959	1960	1961, 1st Quarter	1959	1960	1961, 1st Quarter
Austria	4	8	4	9	8	−9	−23	−27	5	9	9	1	2	2
Belgium-Luxembourg	3	5	4	6	−5	10	−21	−20	2	4	3	1	—	—
Canada	3	2	8	1	−3	−16	17	18	4	3	3	1	1	2
Denmark	4-5	5	8	4	....	−36	−30	−21	8	7	....	2	2	—
France	2	6	4	11	6	....	....	....	7	7	9	6	4	2
Germany, Federal Republic of	6-7	8	8	11	9	−31	−50	−38	5	10	12	1	2	2
Italy	7	7	11	15	10	−3	−9	....	2	3	2	—	2	2
Japan	18[2]	11[2]	26	27	20	—	−23	−21	6	6	3	1	4	4
Netherlands	5	9	9	13	6	−22	−33	−29	2	9	7	1	3	2
Norway	4-5	6-7	6	8	5	−4	−23	−18	9	4	4	2	1	1
Sweden	5	3	4	8	6	−20	−30	−21	4	7	11	1	4	1
Switzerland	5[3]	6[3]	....	....	....	−20	−25	....	2	4	4	−1	2	2
United Kingdom	2[4]	5[4]	7	6	—	5	−22	−10	3	3	4	1	1	2
United States	7	3	13	3	−7	−19	2	30	4	3	1	1	2	2

Sources: Industrial production, wages, and cost of living are based on data from International Monetary Fund, *International Financial Statistics;* unemployment rate, on data from United Nations, *Monthly Bulletin of Statistics;* real gross national product, on national estimates.

[1] Annual figures are percentage changes in averages from preceding year; quarterly figures are percentage changes in averages from first quarter of 1960.

[2] Fiscal year (April 1959-March 1960 and April 1960-March 1961).

[3] Real national income.

[4] Real gross domestic product.

annual rate of $11.4 billion, but in the fourth quarter they fell at an annual rate of $3.0 billion. From mid-1960, a rise in federal and local government expenditures on goods and services and a further improvement in the trade balance (especially with the other industrial countries) were insufficient to counterbalance the contractionary effects of reduced spending on inventories and some decline in private fixed investment. There was little net change in private consumption from the second quarter of the year to the first quarter of 1961. The slackening of economic activity in Canada during 1960 was also associated with a fall in private fixed and inventory investment, partly offset by rising government expenditures and exports.

Output continued to expand during 1960 in the industrial countries in Western Europe and in Japan. However, there were marked differences in the rates of growth achieved. In Japan, industrial production continued to grow very rapidly, supported as in 1959 by a further rise in investment in plant and equipment and in exports. In several European countries (for example, Italy, the Netherlands, and Norway), the growth of production tended to diminish as the year advanced, and in a few (for example, Denmark and the United Kingdom) it ceased. On the whole, rising investment in plant and equipment and increased exports (despite a decline in shipments to the United States) were major factors sustaining the rise in European economic activity. On the other hand, residential construction was relatively less important as a source of expansion than in 1959. In the United Kingdom, industrial production changed little after the first quarter of 1960, when it was 13 per cent above the low level of the fourth quarter of 1958. During the first few months of 1960, there was a resurgence of private fixed investment and of inventory accumulation, while exports continued to expand. Later, despite a continued rise in private fixed investment, domestic expenditure leveled off as consumption and the rate of inventory accumulation fell slightly. Exports, after having declined during the summer, recovered toward the end of the year.

In both Europe and Japan, the continued rise in production was largely attributable to increases in productivity resulting from substantial investments in previous years. It was accompanied by a further decline in unemployment; as a result, in several countries labor shortages emerged, or, especially in Germany, were intensified. Wages began to rise more rapidly and the ensuing rise in private consumption not only supported the expansion, but also further stimulated private investment in plant and equipment. Nonetheless, in most of the industrialized countries, the cost of living and wholesale prices changed little from the end of 1959 to the end of 1960. Factors contributing to this relative price stability were the continued decline in the prices of many primary products, intensified international competition, productivity gains, and, for instance in Germany, a decline in agricultural prices.

From the last quarter of 1960 to the first quarter of 1961, industrial production continued to expand in most of the European countries and in Japan, although generally, except in Germany and Sweden, at rates lower than those in the comparable period of the previous year. In the United States, GNP declined by approximately the amount of inventory decumulation ($4.5 billion at an annual rate) and unemployment changed little; but in April 1961 industrial production showed the first marked increase since January 1960.

In recent years, those countries where production has risen most rapidly, e.g., Germany, Italy, Japan, and the Netherlands, have expanded their exports at a high rate and have therefore been in a relatively strong balance of payments position. In contrast, the growth of production and exports has been less rapid in the United States, Canada, and the United Kingdom, and the balance of payments positions of these countries have been less favorable. In 1960, the countries with the highest rates of industrial growth were again those that were in the strongest balance of payments positions, although cyclical developments helped to bring about some reduction in the current account surpluses of Italy, Japan, and the Netherlands and a very marked improvement in the current account balance of the United States. In Germany, however, rapidly rising production was associated with some increase in the current account surplus, and in the United Kingdom a high rate of production coincided with a rising current account deficit.

Main Trends in World Trade

The revival of world industrial production at the end of 1958 led to a renewed expansion of world trade, beginning in 1959. This gathered momentum during the early part of 1960, but tended to weaken toward the end of the year, when activity in several industrial countries was slackening off, and in a few was declining.

As in earlier years, the greatest increase occurred in trade between the manufacturing countries, the value of which rose by one fifth from 1959 to 1960 (Table 6). However, there was also a substantial rise (about 8 per cent) in the value of all other foreign trade, which had expanded much less from 1958 to 1959. Altogether, world exports rose from 1959 to 1960 by some 12 per cent in value, and by almost as much in volume, compared with increases of about 6 per cent and 8 per cent, respectively, from 1958 to 1959.

Trade of Manufacturing Countries

The development of trade from 1959 to 1960 was dominated by the reversal of the roles of the United States and other manufacturing countries. A sharp increase in activity in the United States, beginning in the latter half of 1958, caused its imports to rise rapidly from 1958 to 1959, while the expansion of its exports was checked by a less rapid growth of activity in other manufacturing countries, the leveling off of demand from primary producing countries in 1959, and certain temporary factors affecting particular commodities. In 1960, U.S. imports declined by 4 per cent as activity in the United States slackened, whereas its

TABLE 6. VALUE OF WORLD TRADE, 1958-60

	Value f.o.b. (*billion U.S. dollars*)			Percentage Change from Preceding Year[1]		
	1958	1959	1960	1958	1959	1960
World exports[2]	94.3	100.3	112.0	−5	6	12
Exports of United States[3]	16.4	16.4	19.6	−16	—	19
Exports of other manufacturing countries[4]						
EEC countries	22.8	25.2	29.7	1	11	18
EFTA countries[5]	15.8	16.8	18.3	−3	6	9
Japan	2.9	3.5	4.1	—	20	17
Total	41.5	45.5	52.1	—	10	15
Exports of primary producing countries[6,7]	36.4	38.4	40.3	−4	5	5
Trade of manufacturing countries with each other						
Exports of United States to other manufacturing countries[3]	5.0	5.2	7.4	−24	4	43
Exports of other manufacturing countries to United States	3.7	5.1	4.9	12	40	−5
Trade between other manufacturing countries	18.5	20.8	25.0	−4	13	20
Of which, Trade between EEC countries	*6.9*	*8.2*	*10.3*	*−4*	*19*	*25*
Total	27.2	31.1	37.3	−7	14	20
Exports of manufacturing countries to primary producing countries						
From United States[3]	11.2	11.2	12.0	−12	−1	8
From other manufacturing countries	17.7	17.8	20.1	—	—	13
Total	28.9	29.0	32.1	−5	—	11
Exports of primary producing countries to manufacturing countries						
To United States[7]	9.2	9.8	9.4	−4	7	−4
To other manufacturing countries[7]	16.2	17.2	19.3	−4	6	12
Total[7]	25.4	27.0	28.7	−4	6	6
Trade of manufacturing countries with Soviet area and Mainland China						
Exports of manufacturing countries	1.8	1.7	2.3	15	−3	28
Exports of Soviet area and Mainland China[7]	1.5	1.8	2.0	5	18	9

Sources: Based on data from International Monetary Fund, *International Financial Statistics*, and Statistical Office of the United Nations, International Monetary Fund, and International Bank for Reconstruction and Development, *Direction of International Trade*.

[1] Based on unrounded value figures.

[2] Excluding exports of the Soviet area and Mainland China, and U.S. military aid.

[3] Excluding military aid.

[4] Members of the European Economic Community (Belgium-Luxembourg, France, Germany, Italy, and the Netherlands), members of the European Free Trade Association except Portugal (Austria, Denmark, Norway, Sweden, Switzerland, and the United Kingdom), and Japan.

[5] Excluding Portugal.

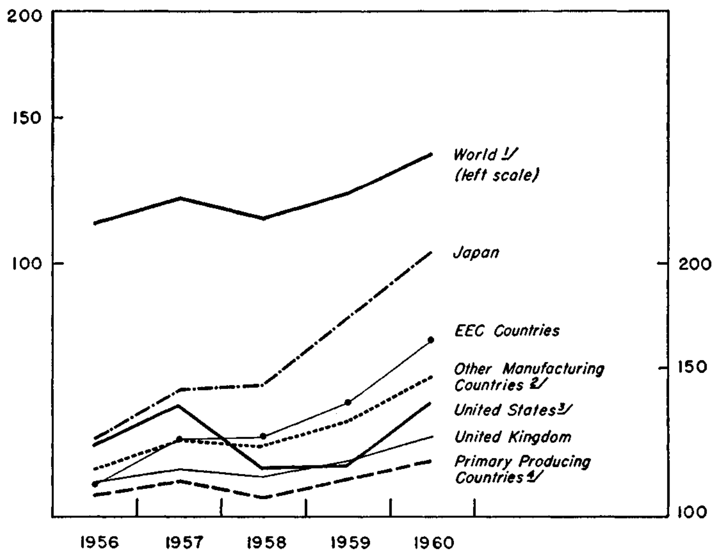
[6] Countries exporting mainly primary products and semimanufactures i.e., all countries excluding those classified as "manufacturing countries" and also excluding the Soviet area and Mainland China.

[7] 1960 figures are partly estimated

exports expanded rapidly (Chart 1). U.S. exports to the other manufacturing countries rose by more than 40 per cent—exceeding the phenomenal rate of growth which had occurred in their exports to the United States from 1958 to 1959—and U.S. exports to primary producing countries increased by 8 per cent after having declined very slightly from 1958 to 1959 and substantially from 1957 to 1958. The fall in U.S. imports from other manufacturing countries was the first since 1954. It stemmed largely from the sharp drop in U.S. purchases of foreign automobiles, which was in part a consequence of the introduction of compact U.S. cars, and from somewhat lower imports of steel mill products, which had also increased very sharply during 1959. As a result of these developments, the U.S. balance of trade improved by $3.7 billion between 1959 and 1960; about two thirds of this improvement

CHART 1. EXPORTS FROM VARIOUS AREAS, 1956-60

(Annual indices of value; 1955 = 100)



[1] Excluding exports of the Soviet area and Mainland China, and U.S. military aid.
[2] Austria, Denmark, Norway, Sweden, and Switzerland.
[3] Excluding military aid.
[4] All other countries, excluding the Soviet area and Mainland China.

was in trade with the other manufacturing countries, and about one third in trade with primary producing countries.

The total value of imports of the manufacturing countries other than the United States rose in 1960 by about one fifth. The increases in imports of 22 per cent for Common Market countries (EEC), 15 per cent for the countries in the European Free Trade Association (EFTA) excluding Portugal, and 25 per cent for Japan substantially exceeded the growth of exports from each of these areas (18, 9, and 17 per cent, respectively); the slower growth in their exports reflected the fact that exports to the United States failed to rise (or, as regards Japan, rose by only 5 per cent). In contrast to the change in the balance of trade between the United States and primary producing countries, there was, for each of these three areas, a fairly close correspondence between the rate of growth of imports from primary producing countries and of exports to them. Hence, there was little change in the balance of trade between the other manufacturing countries as a whole and the primary producing countries. Trade between the EEC countries and primary producing countries rose by about 15 per cent in each direction; that between the EFTA countries and primary producers by about 9 per cent; and that between Japan and primary producers by more than 21 per cent.

With the exception of Germany and France (whose large trade surpluses remained almost unchanged from 1959 to 1960), all the manufacturing countries, other than the United States, experienced a worsening balance of trade. The change was comparatively slight for most countries, but there was a pronounced deterioration in the position of the United Kingdom, Italy, Japan, and the Netherlands.

The trade deficit of the United Kingdom (imports f.o.b.) increased by nearly $850 million. The slow growth of British exports from 1959 to 1960 was the more disturbing because, for the first time in several years, the change in the geographical pattern of world trade was not unfavorable to the United Kingdom, inasmuch as the imports of the rest of the sterling area rose relatively fast. Moreover, with the fall in imports into the United

States and in the United Kingdom's share in those imports, much of the United Kingdom's recent gains in that market was lost. The volume of Italy's imports rose by no less than 44 per cent, partly as an effect of liberalization measures but mainly as a result of the rapid growth of industrial production and of a poor cereal harvest. Although Italy was, apart from Japan, the only manufacturing country to benefit from a significant improvement in its terms of trade, the Italian trade balance worsened by some $500 million from 1959 to 1960, leading to a marked reduction in the Italian current account surplus. The surplus of the Netherlands on current account was also reduced, by a worsening of some $150 million in the balance of trade. Japan's surpluses on trade and current account likewise declined sharply between 1959 and 1960.

The rapid growth in Italian imports was a major factor in bringing about the faster growth of imports into the EEC countries than of those into the EFTA countries. EEC countries' purchases from each other increased by 25 per cent from 1959 to 1960, more than twice as fast as their purchases from the EFTA countries. While trade within the EFTA rose by 15 per cent, its purchases from the EEC countries increased by 20 per cent. The United States considerably increased its share in manufacturing countries' exports to both the EEC and the EFTA countries. There was also a marked rise in Japan's share of exports to the EEC countries—its exports to that group increasing by more than one third.

Changes in price competitiveness do not seem to have been of great importance in 1960. The export prices of industrial countries did not change materially during the year, and there were comparatively slight differences in the trends of export prices in individual industrial countries. The rise in the United States' share of exports to Western Europe was due in part to the cyclical situation, as its share normally tends to increase when activity in Western Europe is expanding rapidly and to decline as activity moderates. It seems clear, however, that reduced discrimination against the United States and Japan was important in increasing their share of trade in 1960. In Western Europe and the overseas sterling area, the United States and Japan sharply increased their share of exports of manufactures to a number of countries which had recently relaxed discrimination against their goods; in contrast, there was an exceptionally large fall in the share of the United Kingdom and a flattening out of the upward trend of the share of EEC countries. On the other hand, the United States once again failed to maintain its share of exports of manufactures to Canada and Latin America, where the upward trend in the share of other manufacturing countries continued; and Japan failed to increase its share of trade with the remaining primary producing countries.

Trade of Primary Producing Countries

The rise in the value of trade, other than that between the manufacturing countries, stemmed in part from a substantial expansion in the total imports of primary producing countries, which had remained unchanged from 1958 to 1959 after having been reduced by about 5 per cent from 1957 to 1958. As the value of their imports rose by about 9 per cent, compared with a 5 per cent rise in exports, there was a marked deterioration in their trade balance in 1960. With the exception of the countries producing petroleum, this deterioration was common to each of the groups in Table 7 (where the primary producing countries are divided according to the composition of their major exports). Exports from the manufacturing countries to the primary producing countries, which had not changed from 1958 to 1959, increased by 11 per cent from 1959 to 1960 (Table 6). This rise followed, with a lag, the renewed expansion in the total value of primary producing countries' exports to manufacturing countries, which rose by about 6 per cent both from 1958 to 1959 and from 1959 to 1960.

The average rise in imports, however, conceals wide differences between individual primary producing countries. While Canadian imports fell in 1960, as domestic activity declined, the combined imports of the more industrialized primary producing countries in the sterling area (Australia, New Zealand, and South Africa) rose in value by 22 per cent, and those of the less industrialized sterling

TABLE 7. TRADE OF PRIMARY PRODUCING COUNTRIES, 1959 AND 1960

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

	Exports f.o.b.			Imports c.i.f.		
	1959	1960	Percentage change	1959	1960	Percentage change
Countries exporting mainly						
Coffee						
Brazil	1,282	1,269	−1	1,374	1,462	6
Others[1, 2]	930	950	2	934	1,080	16
	2,212	2,219	—	2,308	2,542	10
Other tropical foods[3]						
Cuba[1]	675	600	−11	740	600	−19
Others[4]	2,303	2,434	6	2,692	3,019	12
	2,978	3,034	2	3,432	3,619	5
Other agricultural products[5]						
Australia	2,002	1,963	−2	2,123	2,715	28
Argentina	1,009	1,079	7	993	1,189	20
New Zealand	821	846	3	648	786	21
United Arab Republic, Egyptian Region	443	550	24	616	632	3
Pakistan	321	393	22	353	653	85
Others[1, 6]	2,122	2,220	5	3,042	3,448	13
	6,718	7,051	5	7,775	9,423	21
Metals and rubber						
Malaya	808	955	18	568	703	24
Indonesia	872	839	−4	483	574	19
Rhodesia and Nyasaland	523	576	10	474	495	4
Chile	495	489	−1	413	500	21
Others[1, 7]	623	540	−13	600	610	2
	3,321	3,399	2	2,538	2,882	14
Petroleum						
Venezuela[1]	2,369	2,450	3	1,577	1,200	−24
Netherlands Antilles[1]	712	660	−7	939	820	−13
Others[1, 8]	3,521	3,790	8	1,835	1,940	6
	6,602	6,900	5	4,351	3,960	−9
Other major exporters						
Canada	5,413	5,579	3	6,244	6,124	−2
India	1,304	1,333	2	1,975	2,124	8
Union of South Africa	1,199	1,225	2	1,505	1,712	14
Singapore	1,124	1,136	1	1,277	1,332	4
Finland	835	989	18	835	1,062	27
Mexico	750	760	1	1,007	1,186	18
Spain	501	726	45	795	722	−9
Hong Kong	574	689	20	866	1,026	18
Yugoslavia	477	567	19	687	827	20
Peru	312	430	38	293	375	28
	12,489	13,434	8	15,484	16,490	6
All other countries[1]	4,110	4,300	5	6,600	7,380	12
Grand Total[1]	38,430	40,340	5	42,490	46,300	9

Source: Based on data from International Monetary Fund, *International Financial Statistics.*

[1] 1960 figures are partly estimated.

[2] Colombia, Costa Rica, El Salvador, Ethiopia, Guatemala, Haiti, and Nicaragua.

[3] Cocoa, tea, sugar (cane), bananas, oilseeds, and vegetable oils.

[4] Ceylon, China (Taiwan), Dominican Republic, Ecuador, Ghana, Honduras, Jamaica, Panama, Philippines, and Nigeria.

[5] Grain, livestock products, textile fibers, and tobacco.

[6] Burma, Greece, Ireland, Kenya, Sudan, Syrian Region of United Arab Republic, Thailand, Turkey, Uganda, and Uruguay.

[7] Bolivia, Congo (Leopoldville), and Viet-Nam.

[8] Brunei and Sarawak, Kuwait, Iran, Iraq, Saudi Arabia, and Trinidad.

area countries by about 12 per cent, compared with an 8 per cent increase in the imports of other less industrialized countries. The deterioration in the trade balance of the sterling area accounts for a large part of the worsening in the balance of the primary producing countries as a group. The fact that the imports of the sterling area countries increased more than the imports of other primary producing countries was due in part to their different export experiences in 1959. Between 1958 and 1959, the exports of the overseas sterling area rose by more than 10 per cent, whereas the combined exports of other primary producing countries rose by only about 3 per cent. Moreover, in 1960, imports generally rose most in those countries where the rise in exports had been largest in 1959, notably Australia, New Zealand, and South Africa. The combined exports of these countries increased little in 1960 and they were responsible for about 70 per cent of the worsening in the trade balance of the overseas sterling area. The relaxation of restrictions contributed to the rapid increase of imports, particularly from the dollar area and Japan, into Australia and New Zealand. There was also a very sharp rise in the imports of Pakistan from their low level in 1959.

Outside the sterling area, the most striking changes in the balance of trade of primary producing countries were improvements of about $300 million to $400 million each in the balances of Canada, Spain, and Venezuela. These were, with Cuba, the only major primary producing countries whose imports fell from 1959 to 1960. The reduction of $550 million in the combined imports of the two Latin American countries just mentioned and the Dominican Republic accounted for the relatively slow growth of imports into Latin America. The imports of the other Latin American Republics rose in the aggregate by some 15 per cent, following a 7 per cent reduction from 1958 to 1959, and their exports increased by only 4 per cent. Their combined trade balance worsened by about $700 million. For Latin America as a whole, the aggregate trade balance deteriorated only slightly, as imports rose in value by 4 per cent and exports by 3 per cent.

Prices of primary products, averaged over the year, were roughly the same in 1960 as in 1959, prices of foodstuffs tending to be somewhat below, and those of industrial materials somewhat above, those in 1959. The short-lived recovery of primary product prices which started in the second quarter of 1959 was followed by a renewed decline in the latter part of 1960. By December, the over-all level of primary product prices was some 6 per cent lower than at the beginning of the year. This decline was again caused largely by the expansion of supplies, although the slackening of U.S. demand and the slowing down of the boom in Europe were contributory factors. In the early part of 1961, prices of primary products remained fairly stable on the whole; however, there was a marked upturn in the price of tin owing to an acute shortage of the metal.

Between 1958 and 1959, prices of individual commodities had moved sharply but divergently. But between 1959 and 1960, changes in prices were on the whole much more moderate, remaining well below 10 per cent with a few exceptions, notably cocoa and copra (prices falling) and jute and long-staple cotton (prices rising). Consequently, there was much less divergence in the export experience of the various groups of primary producing countries distinguished in Table 7, owing to differences in the composition of exports, than there had been in 1959, when improvements were heavily concentrated in countries exporting rubber, metals, and wool. As in 1959, the total receipts of countries exporting mainly tropical products, including coffee, scarcely increased. But the groups of countries exporting mainly other agricultural products, metals and rubber (apart from the Congo), petroleum, or diverse primary products, each increased the value of their exports by 5-8 per cent, in contrast to their widely varying experience in 1959. Differences in the growth of exports from individual countries were attributable, to some extent, to the divergent movements of the import demand of the United States and other industrial areas, but were largely the result of special factors promoting or retarding export trade. Details are given for a number of countries in the discussion of their balances of payments in the next chapter.

Financial Policies in the Industrial Countries

In 1960, the formulation of appropriate financial policies was made more difficult by the fact that in at least two major countries, Germany and the United States, an underlying balance of payments problem tended to create a conflict between internal and external policy objectives. In Germany, a large balance of payments surplus (apart from the inflow of private short-term capital) coincided with, and was indeed partly responsible for, considerable pressure on domestic resources. From the domestic point of view, therefore, it seemed suitable to follow restrictive policies to damp the domestic boom. These policies resulted in a general rise in interest rates, which tended to attract foreign capital and thus to increase the surplus in the country's balance of payments. In the United States, on the other hand, expansionary policies were appropriate to stimulate a sluggish economy. These policies depressed interest rates and thereby added to the incentive making for an outflow of capital and thus for a further rise in the balance of payments deficit. These capital flows reinforced skepticism about the maintenance of existing par value relationships among some major currencies, and in turn were given additional impetus by that skepticism. They also brought realization of the need for monetary policies to take into account the international repercussions of restrictive and expansionary measures rather than to concentrate attention exclusively on the domestic situation. This realization led in the spring of 1961 to concerted efforts to improve the international cooperation of central banks. In addition, it became clear that monetary policies should be supplemented by fiscal and other measures that affect demand rather quickly and are easily reversible, but do not directly influence interest rates. In the budget of the United Kingdom, presented in April 1961, two such measures were included.

In the second half of 1959, mainly in view of domestic developments, monetary policy in Canada and the United States had become a little less restraining, while in Germany and several other European countries it had become somewhat more restrictive. During the first three quarters of 1960, these tendencies were more pronounced. In the *United States,* the Federal Reserve System used open market operations and other measures to bring about a gradual rise of $1.1 billion in net free reserves of member banks from the end of 1959 to the end of 1960. Member banks responded by expanding their earning assets more than twice as much as in 1959. In the second quarter of 1960, they began to reverse their policy of liquidating security holdings. Although the expansion of loans in 1960 was little more than half that in 1959, and there was a substantial rise in time and savings deposits, this reversal contributed to a renewed rise in the money supply in the second half of 1960. (In the first half of the year there had been a somewhat larger contraction.) The over-all demand for funds declined. Net funds raised in credit and equity markets amounted to about $39 billion, compared with more than $60 billion in 1959. About half of this decrease in demand resulted from the change in the Federal Government's cash transactions, from a deficit of $8.0 billion in 1959 to a surplus of $3.6 billion in 1960.

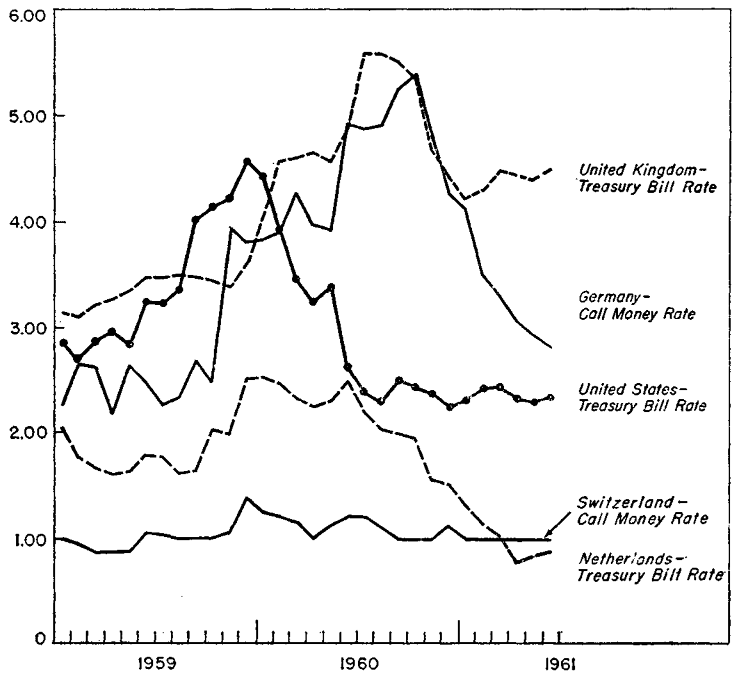
As a result of these developments, market interest rates declined rather rapidly until August and then tended to level off, but they remained substantially above the lowest level in the previous recession. The market yield on Treasury bills fell from a peak of 4.6 per cent in December 1959 to 2.3 per cent in August 1960 (Chart 2); in June 1958 the yield had been 0.9 per cent. Following the decline in interest rates, the Federal Reserve Banks reduced their discount rates in two stages (in June and in August-September) from 4 per cent to 3 per cent. Similarly, in *Canada,* the Treasury bill rate declined from 5.7 per cent in September 1959 to 1.9 per cent in September 1960, as the Government's cash deficit decreased, and net new issues of public and private securities declined further.

In contrast to the relaxation of monetary policies in North America, several European countries intensified, and others introduced, restraining monetary measures as the pressure of demand for goods and services became stronger. In *Germany,* the authorities raised the discount rate in three steps from 2.75 per cent in

September 1959 to 5 per cent in June 1960, absorbed bank liquidity by repeated increases in reserve requirements, and reduced the rediscount quotas of credit institutions. In addition, at the suggestion of the Bundesbank, certain public insurance funds were withdrawn from deposit with credit institutions and invested in money market securities acquired from the Bundesbank. These steps led to a rise in interest rates relative to those abroad, and tended to attract foreign funds which replenished domestic liquidity. In view of this tendency, a series of steps was taken to discourage imports of short-term capital. In January 1960, reserve requirements for increases in banks' foreign liabilities were raised to the legal maximum; in June, the payment of interest on nonresident-

CHART 2. SHORT-TERM INTEREST RATES IN SELECTED COUNTRIES, MONTHLY AVERAGES, JANUARY 1959–JUNE 1961

(In per cent)



owned deposits (including renewed time deposits) and the sale of money market securities to nonresidents were prohibited; in July, reserve requirements against foreign liabilities were made more restrictive; in August, the Bundesbank, in an effort both to encourage German banks to hold foreign assets and to facilitate the financing of imports, announced that it would buy forward dollars at a premium equivalent to 1 per cent per annum; in September, the premium was raised to 1½ per cent. Despite these measures there occurred, as shown below, a substantial inflow of private and bank capital in the first three quarters of 1960 which, together with the current payments surplus, more than offset the liquidity effects of contractionary monetary and fiscal policies.

In the *United Kingdom,* prospects of a further expansion in domestic demand in 1960, particularly in private fixed investment, as well as external considerations, induced the authorities to adopt progressively more restraining measures. The bank rate was raised in two steps from 4 per cent in January to 6 per cent in June. In April, hire-purchase controls were reimposed and a system of special deposits for the commercial banks was brought into operation. A little later, the special deposit requirements were doubled to 2 per cent of deposit liabilities for the clearing banks and 1 per cent for the Scottish banks. Partly as a result of these measures, the annual average liquidity ratio of the clearing banks fell below the ratio for any year since 1948. Despite some rise in long-term yields, the clearing banks reduced their investments in 1960 by an even greater amount than in 1959, and the ratio of investments to gross deposits became smaller than at any time since the early 1930's. The rise in their advances, which was practically equal to the fall in investments, was about three fourths as large as the expansion in 1959. From the second quarter of 1960, however, the authorities sold a substantial amount of gilt-edged securities to the nonbank public. The Treasury bill rate rose from 3.6 per cent in December 1959 to almost 5.6 per cent in August 1960. From the first quarter, the yield on long-dated bonds also rose, though more gently.

Most of the other industrial countries which also experienced strong demand pressures, though in varying degrees, tended to shift further toward policies of restraint. Nevertheless, interest rates did not in general rise much in these countries. Indeed, the *Netherlands* Treasury bill rate declined in and after February 1960 and remained during the whole year below comparable rates in other countries, except those in Switzerland. The decline in the Treasury bill rate followed broadly, but was smaller than, the fall in comparable net yields in the United States and the United Kingdom. The Netherlands authorities, while refraining from raising the discount rate because of external reasons and encouraging banks to maintain balances abroad, offset most of the liquidity effects of the rise in foreign reserves by reducing the Government's net indebtedness to the monetary system and by increasing somewhat the reserve requirements for banks. While taking specific steps to limit increases in prices and wages, they also restrained demand by restricting installment credit and by reducing building permits and tax incentives for private investment.

In *Switzerland,* the federal authorities continued their policy of preventing interest rates from rising, in order to encourage the outflow of capital and thus to limit domestic liquidity and further strains on industrial capacity. For the same reason, they refrained from repaying large amounts of federal debt. When, after mid-1960, a substantial inflow of flight capital increased bank liquidity despite open market operations, the authorities induced the commercial banks to take several steps to discourage the inflow of funds, including the imposition of negative interest rates on certain foreign-owned deposits. When, later in the year, a new inflow developed, to a large extent because of a repatriation of Swiss funds held abroad, the National Bank absorbed further liquidity by placing an issue of Sw F 400 million of special securities with the commercial banks.

In France and Italy, where interest rates have been relatively high in the postwar period, average yields on long-term government bonds declined for the second consecutive year, although more moderately than from 1958 to 1959. In *Italy,* the liquidity generated by the external surplus was again only partially counterbalanced by a reduction of net government debt held by the central bank. The resulting relative ease in monetary policy was both prompted and facilitated by the continued existence of unemployed labor and large international reserves; it helped to reduce considerably the balance of payments surplus. In *France,* the authorities permitted the liquidity resulting from a further rise in foreign reserves, an expansion of credit to the private sector, and an increase in savings, to bring downward pressure on interest rates. For the same purpose, the Treasury refrained from issuing long-term bonds, and in October 1960 the Bank of France reduced the discount rate and the rate for advances on securities. Related official interest rates were further reduced in December. In *Japan,* the continued rapid expansion in activity was facilitated by increases in liquidity, due in part to a substantial inflow of short-term capital. The authorities took steps in the second half of 1960 and in early 1961 to lower interest rates from their high general level.

In *Sweden,* interest rates did not change much during 1960. After an increase in the discount rate and a further raising of liquidity ratios for banks in January 1960, additional restraint was imposed by such devices as the introduction of a general turnover tax of 4 per cent at the beginning of 1960, the sale of Treasury bills to companies, and restrictions on public construction. Special tax incentives were given to companies placing investment funds in a blocked noninterest-bearing account in the central bank. In *Denmark,* a substantial budget surplus and a moderate decline in foreign reserves placed a strain on bank liquidity, and government bond yields continued to rise moderately.

The divergent movements of interest rates in the industrial countries, and particularly their rise in the United Kingdom and Germany and their fall in the United States, induced large international movements of capital. In the first three quarters of 1960, the interest rate differential between the United States, on the one hand, and the United Kingdom and Germany, on the other, widened fairly steadily. In August the U.S. Treasury bill rate was 3.3 percentage points lower than the U.K. Treasury bill rate; in

October it was 3.0 points below the German call money rate. Even when account is taken of the cost of forward cover, the return on short-term investments in the United Kingdom averaged well over 1 per cent above that obtainable in New York in most months from June 1960 to the end of the year. For funds placed in Germany, the cost of forward cover became in fact negative from September onward, owing to a combination of special circumstances, including speculative pressures in the forward market. The resulting wide differential was a powerful stimulant for the movement of short-term funds from the United States to the United Kingdom and Germany. The outflow of short-term capital from the United States (including "net errors and omissions") rose from quarter to quarter throughout the year (Table 10, page 81), and in the last quarter of 1960, foreign banks reduced their dollar balances by almost $0.5 billion. In the United Kingdom, from the second quarter onward, the inflow of short-term funds more than counterbalanced the payments deficit on current and long-term capital account. In both countries, the liquidity effects of changes in foreign reserves were, in accordance with established practice, neutralized by offsetting operations. In Germany, the commercial banks repatriated DM 1.4 billion of foreign exchange assets and increased their foreign liabilities by DM 0.5 billion during the first half of 1960. The combined effect on liquidity of this inflow of funds, of some increase in bank borrowing from the Bundesbank, and of the surplus in the balance of payments on account of current and other private capital transactions (including "errors and omissions") was partly offset by the Bundesbank's net transactions with the Government. Nevertheless, bank credit to the private sector increased substantially. In the third quarter, after steps had been taken in June to discourage a net inflow of short-term funds, the inflow through commercial banks was reduced substantially, but there was a marked increase in net foreign purchases of German fixed-interest securities and equities. External capital transactions of the private sector other than German commercial banks (including "errors and omissions") produced a net inflow of about DM 1.7 billion, compared with DM 1.2 billion in the second quarter and a net outflow of DM 0.2 billion in the first quarter. There was again a large increase in bank credit, although the Bundesbank's net transactions with the Government continued to be contractionary.

In the final quarter of 1960, several countries modified their financial policies. In the *United States* it had become clear that a decline in economic activity had set in, and the outflow of short-term funds caused increasing concern. The Federal Reserve System began in October, for the first time since 1958, to purchase U.S. Government securities other than Treasury bills, in order to reduce the widening spread between short-term and longer-term rates. In February 1961, this shift in policy was followed by a formal announcement that open market operations would be extended to long-term government bonds. Subsequently, yields on long-term Treasury issues leveled off, while intermediate and short-term rates declined moderately. In early June, however, the latter rose again and were approximately the same as in February.

In the *United Kingdom,* where industrial production showed a slight downward tendency, the authorities reduced the bank rate from 6 per cent to 5 per cent in two steps in October and December, even though the balance of payments was weakening. When announcing this change in policy, the authorities noted that the previous rate was "unnecessarily high in relation to rates in other financial centers." Early in 1961, the authorities further modified their policies by easing hire-purchase terms for automobiles and other consumer durable goods, and the Bank of England took steps to facilitate a partial refinancing of the commercial banks' medium-term export credits. When presenting the budget for the fiscal year 1961-62, which provided for a much larger "above-the-line" surplus and a much smaller over-all deficit than was recorded in 1960-61, the Chancellor of the Exchequer stressed the need to moderate over-all demand while continuing to encourage investment and exports. His budget included proposals to confer on the Treasury powers to introduce by statutory measures the following: a special surcharge or rebate (neither to exceed 10 per cent) on all the main customs and excise duties and on purchase tax; and a surcharge on employers, similar to a payroll tax, subject to an upper limit of 4 shillings a week for each employee. Both powers were intended to be used if (in the words of the Finance Bill) it appeared "expedient to the Treasury to do so with a view to regulating the balance between demand and resources": in other words, as general regulators of the level of domestic activity. For the surcharge on employers, it was claimed as an additional advantage that it would, if introduced, act as an incentive to economy in the use of labor and to the introduction of laborsaving equipment.

In November 1960, the direction of *Germany's* monetary policy changed markedly. Recognizing that the effects of its increasingly restrictive credit policy had been diminished to a considerable extent by an inflow of foreign funds, the Bundesbank reduced its discount rate from 5 per cent to 4 per cent and announced that this reduction took place "solely in the light of the external monetary situation." It was emphasized that demand still exercised strong pressure on domestic resources, especially in the labor market, and that the effects of substantial wage increases on costs and on consumption and investment were aggravating this pressure. It was recognized, however, that certain financial operations of the public sector would absorb further liquidity in the first half of 1961. This reversal in monetary policy was followed by another reduction in the discount rate in January (by ½ per cent), by a successive lowering of other official interest rates and of reserve requirements against domestic liabilities, and by a raising of rediscount ceilings. As a result of these and other developments, the excess of German short-term interest rates over comparable U.S. rates declined from 3 percentage points in October to 1 point in February. On the other hand, the applicability of the premium on forward dollars was limited to banks from November onward; in January the premium was reduced to 1 per cent, and in February it was abolished, although the Bundesbank continued to purchase forward dollars at the spot rate. Further measures of monetary relaxation preceded as well as followed the 5 per cent appreciation of the deutsche mark on March 6, 1961, and in early May the discount rate was reduced further, to 3 per cent, despite the facts that production continued to grow at a higher rate than in most other industrial countries and that the number of vacancies greatly exceeded the small number of unemployed.

In the last quarter of 1960 the over-all net flow of private and bank capital into Germany slowed down considerably; and in the first quarter of 1961 it ceased altogether. In that quarter a substantial inflow of DM 1.5 billion for the private sector (including "errors and omissions") was slightly more than counterbalanced by an increase in the net foreign assets of German commercial banks. This increase occurred despite a renewed substantial rise in March in the banks' foreign liabilities. The total inflow of private and bank capital in that month, more than DM 0.9 billion, reflected in part the large-scale movements of funds in the wake of the appreciations, motivated mainly by expectations of further changes in exchange rates rather than by interest rate differentials. Arising out of these developments the European central banks let it be known that they were cooperating closely in order to mitigate the impact of these movements on reserves and exchange rates. The U.S. Government contributed to the same end by operating in the forward exchange market for the first time in the postwar period.

Developments in the Less Industrialized Countries

For the less industrialized countries as a group, international transactions brought some improvement from 1959 to 1960 in economic conditions. Their exports increased at a somewhat faster rate than from 1958 to 1959, and they also benefited from an increase in the flow of economic aid. In most countries the output of primary products and foodstuffs continued to expand, although several countries in the Middle East and in Central America experienced setbacks which were due to climatic vagaries. Available data on industrial production for 1960 suggest an appreciable acceleration, compared with 1959, in China (Taiwan), Greece, India, Israel, Mexico, Pakistan, Peru, and Yugoslavia, and renewed expansion in Argentina. In Spain, on the other hand, industrial production seems to have declined somewhat.

In general, the terms of trade of the less industrialized countries continued to be less favorable than they had been in 1957 and earlier years. They appear to have changed little for 1960 as a whole, compared with 1959, but there was some deterioration after the second quarter of the year, mainly because of the renewed decline in primary product prices noted above.

Gross international reserves of the less industrialized countries as a group, which had increased moderately in 1959 for the first time in several years, continued to rise in 1960, although at a slower rate. However, for most of these countries the ratio of reserves to imports decreased. Significant increases in reserves occurred in only a few countries, notably Argentina, Malaya, and Spain.

Several countries—particularly Brazil, Ceylon, Indonesia, and the Syrian Region of the United Arab Republic—continued expansionary policies, which resulted either in a further decline in foreign reserves or an increase in direct restrictions, a depreciation of the exchange rate, or a rapid rise in prices. In the majority of the less industrialized countries, however, the strong inflationary pressures of the 1950's abated further in 1960. In many of them the increases in money and the cost of living were smaller than in 1959, and in several they were considerably below the annual averages for the years 1953-59.

In 9 of the 35 countries shown in Table 8, total domestic bank credit in 1960 (cols. 9 and 11) contracted, or was expanded by less than the increase in time and savings deposits and similar liabilities of the monetary system (col. 13), so that in fact net domestic assets decreased (col. 7); in 1959, only 7 had pursued such a policy. All 9 countries added to their foreign reserves, the contractionary credit policy being in most cases a contributory factor. Also in 1960, only 8 countries, compared with 15 in 1959, supplemented the monetary effects of an increase in foreign reserves by an expansion of net domestic assets. Furthermore, while in both years about the same number of countries expanded domestic credit and experienced a fall in reserves, 3 such countries (El Salvador, Iraq, and

Venezuela) undercompensated the decline in reserves in 1960, against 2 in 1959 (Haiti and Venezuela), so that the money supply declined. In Venezuela, which pursued such a policy in both years, the fall in the money supply, as well as in reserves, was related to a large outflow of capital. In 4 countries a fall in the money supply in 1960 was associated with a contractionary credit policy and an increase in foreign reserves.

In almost all the countries which reduced the net domestic assets of their monetary systems in 1960, a contraction of net bank credit to the government was a main deflationary factor. Indeed, 12 countries, including particularly Korea, the Sudan, Thailand, and Uruguay, reduced the government's net indebtedness to the monetary system, compared with 10 countries in 1959 and 7 in 1958. Three countries reduced the outstanding bank credit to the private sector, compared with 2 in 1959. On the other hand, large-scale government borrowing from the monetary system continued to be the major source of expansion in some countries, especially in Bolivia, Ceylon, Greece, Nicaragua, and the Syrian Region of the United Arab Republic. Nevertheless, in general, bank credit to the private sector continued to become more important as a source of expansion than credit to the government. In more than two thirds of the countries shown in Table 8, increases in bank credit to the private sector in 1960 exceeded those to the public sector; in 1958, this was true in less than one half of these countries.

These developments suggest that some progress has been made in keeping current and capital expenditures of governments within the limits of available internal and external resources, and in reducing the structural defects which have been characteristic of the fiscal systems of many of the less industrialized countries. In several countries, such as Indonesia, Peru, and the Philippines, an improvement in government finances resulted partly from new tax measures. In other countries, notably the Sudan and Malaya, a similar improvement was associated with rising revenues from export taxes. The growing significance of bank credit to the private sector also underlines the importance of a further strengthening of the monetary authorities' control over the banking system and of

TABLE 8. CHANGES IN MONEY SUPPLY, 1953-60, AND FACTORS AFFECTING CHANGES IN MONEY SUPPLY, 1959 AND 1960, SELECTED LESS INDUSTRIALIZED COUNTRIES[1]

	Percentage Change in Money Supply			Change in Net Foreign Assets		Change in Net Domestic Assets		Net Government Borrowing from Banking System[2]		Bank Credit to Private Sector		Inc. (—) or Dec. in Other Liabilities[3]	
				← As percentage of money supply at beginning of year →									
	Average 1953-59 (1)	1959 (2)	1960 (3)	1959 (4)	1960 (5)	1959 (6)	1960 (7)	1959 (8)	1960 (9)	1959 (10)	1960 (11)	1959 (12)	1960 (13)
Argentina	25	44	26	8	12	36	14	18	2	23	32	−5	−20
Bolivia	84	28	8	−10	−8	38	16	37	16	1	—	—	—
Brazil	26	42	38	−1	−1	43	39	20	14	26	33	−3	−8
Burma	13	15	−1	6	3	9	−4	3	−2	3	5	3	−7
Ceylon	6	10	2	−14	−15	24	17	32	24	2	2	−10	−9
Colombia	15	11	10	6	—	5	10	−2	−3	4	16	3	−3
Dominican Republic	8	−15	12	−8	−19	−7	31	3	16	7	−32	−17	47
Ecuador	7	13	10	7	−3	6	13	—	3	15	21	−9	−11
El Salvador	4	2	−6	−12	−25	14	19	13	2	12	22	−11	−5
Ghana	4	14	23	11	11	3	12	−3	8	12	9	−6	−5
Greece	16	17	18	13	2	4	16	22	19	12	24	−30	−27
Guatemala	6	3	−5	−5	9	8	−14	10	−11	2	5	−4	−8
Haiti	—	−8	9	−9	14	1	−5	3	−8	−4	4	2	−1
Honduras	2	3	−1	2	3	1	−4	−4	−1	7	3	−2	−6
Iceland	14	4	−3	−15	20	19	−23	−4	−3	52	26	−29	−46
India	7	7	9	2	−1	5	10	11	2	5	9	−11	−1
Indonesia	31	19	37	42	13	−23	24	−26	14	22	19	−19	−9
Iran[4]	14	10	11	−6	−3	16	14	−4	6	27	19	−7	−11
Iraq	14	16	−6	2	−20	14	14	−4	17	5	8	13	−11
Israel	17	10	21	9	29	1	−8	−6	1	22	19	−15	−28

TABLE 8 (*concluded*). CHANGES IN MONEY SUPPLY, 1953-60, AND FACTORS AFFECTING CHANGES IN MONEY SUPPLY, 1959 AND 1960, SELECTED LESS INDUSTRIALIZED COUNTRIES[1]

	Percentage Change in Money Supply			Change in Net Foreign Assets		Change in Net Domestic Assets		Net Government Borrowing from Banking System[2]		Bank Credit to Private Sector		Inc. (—) or Dec. in Other Liabilities[3]	
				As percentage of money supply at beginning of year									
	Average 1953-59 (1)	1959 (2)	1960 (3)	1959 (4)	1960 (5)	1959 (6)	1960 (7)	1959 (8)	1960 (9)	1959 (10)	1960 (11)	1959 (12)	1960 (13)
Korea	41	9	4	1	10	8	−6	7	−23	12	28	−11	−11
Malaya	6	16	6	24	6	−8	—	—	1	6	7	−14	−8
Mexico	12	16	9	7	−5	9	14	9	11	1	4	−1	−1
Nicaragua	2	1	3	12	—	−11	3	18	22	−23	−1	−6	−18
Pakistan	8	5	7	8	1	−3	6	0	7	4	8	−7	−9
Paraguay	21	9	2	−11	−14	20	16	8	8	11	3	1	5
Peru	11	24	13	17	9	7	4	17	−6	5	21	−15	−11
Philippines	7	6	3	9	8	−3	−5	1	−2	11	10	−15	−13
Sudan	1	2	6	82	35	−80	−29	−72	−60	2	30	−10	1
Thailand	8	7	11	−1	11	8	—	3	−28	6	9	−1	19
United Arab Republic													
Egyptian Region	2	5	3	−5	−5	10	8	1	8	14	2	−5	−2
Syrian Region	12	20	12	—	−13	20	25	2	17	17	21	1	−13
Uruguay	17	43	30	25	15	18	15	−4	−13	57	53	−35	−25
Venezuela	11	−5	−6	−28	−7	23	1	17	3	15	−18	−9	16
Viet-Nam	4[5]	20	19	5	8	15	11	12	11	6	5	−3	−5

Source: Based on data from International Monetary Fund, *International Financial Statistics*.

[1] The figures for net foreign assets and net government borrowing from the banking system have been adjusted in order to eliminate the effect of changes in the net IMF position.

[2] Monetary system's claims on government, including official entities and development banks, less government deposits. Changes in advance import deposits, counterpart funds, and exchange profits are treated as reflecting government operations.

[3] Sum of the remaining items shown in the monetary survey (published in *International Financial Statistics*)—usually unclassified assets less quasi-money, capital, and unclassified liabilities.

[4] Data for 1960 cover the period January-October.

[5] 1955-59.

making the use of such controls more flexible. In several countries, such as Iran, Thailand, and Turkey, governments took legislative or administrative steps in this respect.

The policies of individual countries were related to past experiences as well as to such current influences as receipts from exports and foreign aid and other financing on the one hand, and the endeavor to accelerate economic development or to pursue price support policies on the other. As noted in Chapter 3, several countries adopted new stabilization programs in 1960, while several others continued the policies initiated by stabilization programs adopted in previous years. Indeed, a few countries in the latter group, such as Argentina, the Philippines, and Spain, found it possible to relax in 1960 some of the monetary restrictions imposed earlier, e.g., by reducing reserve requirements or discount rates or both; this was made possible, in part, by favorable balance of payments developments.

Other countries moved toward further restraint. Among the measures adopted, there is discernible a further, although admittedly slow, tendency in some countries to raise official interest rates to somewhat more realistic levels. At the end of 1960, 6 of the less industrialized countries (Brazil, Ecuador, Iceland, Korea, Peru, and Turkey) had discount rates between 8 and 11 per cent, and China (Taiwan) had a rate of 18 per cent. In the mid-1950's, only 2 countries had discount rates in that range. In *India,* where there was growing evidence in 1960 that the monetary demand generated by a continued expansion of credit to both public and private sectors was exerting pressures, the authorities raised certain official and bank lending rates and put substantial pressure on bank liquidity by introducing, and later increasing, marginal reserve requirements against deposits. This policy contrasts with a predominant reliance on selective credit controls in the past. Although reserve requirements were relaxed in November 1960 and January 1961, in order to enable banks to meet seasonal demands, the call money rate rose in February 1961 to the highest monthly average (5.3 per cent) since World War II. In March, commercial banks followed this tendency by raising their deposit rates.

In *Pakistan* the authorities took steps, toward the end of 1960, to reduce commercial banks' recourse to central bank credit; and in February 1961 the call money rate rose to a postwar peak of 4.6 per cent. *Thailand's* authorities moved in the same direction by raising the Treasury bill rate from 2.9 per cent to 4.5 per cent. They also succeeded in placing outside the central bank a rising proportion of outstanding 8 per cent government bonds, which the central bank stands ready to repurchase at a discount depending on the length of time for which the bonds have been held. In the *Philippines,* an increasing proportion of unsupported 6 per cent government bonds was placed with public insurance funds.

Toward the end of 1960, and in early 1961, several countries whose financial position had deteriorated markedly took steps to halt and reverse this development. From August 1960 onward, the Government of *Ceylon* imposed some monetary restrictions, including the establishment, in February 1961, of marginal reserve requirements of 38 per cent against demand deposits. It also reduced certain voted expenditures by 10 per cent and endeavored to increase revenues, in part by raising customs duties. *Turkey,* with financial assistance from the Fund and the OEEC, continued and reinforced the stabilization policies adopted in 1958. In *Uruguay,* subsequent to a comprehensive reform of the exchange system in December 1959, the authorities gradually took more restraining financial measures, e.g., by introducing an income tax and progressive reduction in subsidies on consumption goods. Early in 1961, the central bank substantially reduced its credit to the private sector and the banks (the principal source of inflation in the past), while fiscal operations continued to be contractionary.

The Government of *Brazil* in March 1961 announced its intention of ending inflation and correcting the severe disequilibrium in the country's balance of payments. At that time, a first step was taken in this direction by an exchange reform which substantially depreciated the rate applicable to preferential imports and transferred all other imports to the free market. Further measures to complete the fiscal and exchange reform became the basis for a stand-by arrangement with the Fund in May.

Chapter 6

Balance of Payments Developments

Global Survey

IN 1960 there was a far greater contrast than in any other postwar year between the underlying strength (or weakness) of the balances of payments of certain major countries and their over-all surpluses (or deficits). Large-scale movements of short-term capital more than counterbalanced marked changes in trade and other transactions of a more basic character. Under these circumstances, it is less meaningful than in earlier years to describe balance of payments developments primarily in terms of the over-all surpluses and deficits of major countries and areas. Rather, attention should be directed to their basic balances of payments, excluding transitory short-term capital movements.

The contrasting development of the over-all balance of payments position and of the more basic payments accounts is evident in the experience in both of the two reserve centers. For the United States, the large outflow of short-term capital overshadowed the substantial improvement in the balance on current and long-term capital account, leaving its over-all deficit slightly larger at $3.7 billion (Table 9). Conversely, the large inflow of short-term capital into the United Kingdom more than offset the deterioration of its balance on current and long-term capital account, resulting in a change from deficit to surplus in its over-all balance. But for certain special capital transactions, discussed later, the over-all position would have been largely unchanged.

Since the improvement in the basic position of the United States was much greater than the worsening in that of the United Kingdom, the combined deficit of the two countries on account of goods and services, economic aid, and long-term capital showed a substantial improvement which continued into early 1961. When

TABLE 9. WORLD BALANCE OF PAYMENTS SUMMARY, 1959 AND 1960

(In billions of U.S. dollars)

	Surplus or Deficit (—) on Account of Identified Current and Long-Term Capital Transactions		Over-All Surplus or Deficit (—)	
	1959	1960	1959	1960
United States	−4.3	−1.9	−3.4	−3.7
United Kingdom	−0.7	−1.2	−0.5[1]	0.2[1]
Other manufacturing countries	3.7	2.5	3.4[2]	4.2[2]
Primary producing countries	....[3]	....[3]	1.2	−0.4
Total	....	....	0.7[4]	0.3[4]

Sources: Based on data reported to the International Monetary Fund, and Fund staff estimates.

[1] Reserve movements and changes in sterling liabilities, as shown in Table 11.

[2] For comparability with the data for the United States and the United Kingdom, these figures have been derived as a residual from the known addition to world official gold holdings (Table 16, page 112) less the other items shown here. The combined surplus of "other manufacturing countries," as measured by changes in official reserves, net IMF positions, and commercial bank assets, was about equal to the 1959 figure given here, and about $0.5 billion larger than the 1960 figure. Although part of the discrepancy may arise from errors in the estimates for the other items in the table, it seems likely that it reflects mainly an increase in bank and other short-term liabilities of "the other manufacturing countries" to one another.

[3] Not available, but likely to be of the same order of magnitude as the entries for the over-all surplus or deficit.

[4] Equals additions to world official gold holdings; see Table 16.

allowance is made for unidentified receipts from similar transactions, the combined deficit on these items may be estimated at perhaps $4½ billion in 1959, when it was concentrated in the United States, and at about $2½ billion in 1960, when it was more evenly divided. In the first quarter of 1961, the United States had a small basic surplus and the United Kingdom a somewhat larger basic deficit. The combined deficit of the two reserve centers (again with allowance for unidentified transactions) had been reduced to an annual rate of $½-1 billion.

For the other manufacturing countries, the over-all balance of payments surplus, measured on a basis comparable to that of the reserve centers,[1] rose from slightly less than \$3½ billion in 1959 to more than \$4 billion in 1960. This rise in the over-all surplus, however, was attributable to a heavy inflow of short-term capital. The combined basic surplus of these countries (on goods and services, long-term capital, and aid) was reduced from about \$3¾ billion in 1959 to about \$2½ billion in 1960. In both years, most of this surplus was accounted for by countries in the European Economic Community (EEC). The basic surplus of Germany rose somewhat, but that of France, Italy, and the Netherlands together fell by about \$1 billion. Japan's basic surplus also fell, from about \$0.4 billion to about \$0.1 billion. The reduction in the underlying imbalance of the group accelerated in the second half of 1960 and continued into the first quarter of 1961.

The combined over-all balance of payments of primary producing countries changed from a surplus of over \$1 billion in 1959 to a deficit of about \$0.4 billion in 1960. Since the changes in the movements of short-term capital to and from the primary producing countries are believed to have been small, this shift presumably reflected a worsening of the same order of magnitude in their balance on goods and services, long-term capital, and economic aid.

The progress toward equilibrium in international payments that was made from 1959 to 1960, through reductions in the basic underlying deficit of the United States and in the basic surplus of the manufacturing countries in continental Europe and of Japan, was due in large measure to cyclical factors. Moreover, this progress was in part offset by the rise in the deficit of the United Kingdom and the worsening of the position of a number of primary producing countries. The situation in general, therefore, remained a cause for concern and continued to call for close attention and coordinated action by national authorities.

The development of international transactions in 1959 and 1960 has uncovered certain disparities in the assessment of balance of payments surpluses and deficits by individual countries. In the foregoing analysis, changes in liquid liabilities to foreign monetary institutions, whether official or private, have been included in the

[1] See footnote 2 to Table 9.

measure of the over-all deficits (or surpluses) of the two reserve countries. The over-all surpluses of the other manufacturing countries have been defined in symmetrical terms (i.e., to include changes in corresponding dollar or sterling assets). In these terms, the sum of over-all balance of payments surpluses and deficits (including those of the primary producing countries) is equal to the increase in world reserves resulting from additions to world monetary gold holdings. These totaled nearly $700 million in 1959 and more than $300 million in 1960 (Table 9).

In practice, however, no such symmetry exists within the present system of national estimates of balance of payments surpluses and deficits. For example, several countries, when measuring their over-all surpluses or deficits, do not include changes in commercial bank assets; therefore, an increase in the deficit of one of the reserve countries reflected in increased liabilities to foreign banks may have no counterpart in an increased surplus of any other country. Hence, at a time when commercial banks' holdings of foreign exchange assets in the reserve centers are increasing, as they were in 1959, there may be a tendency for the sum of balance of payments deficits to exceed that of surpluses, as measured by the countries themselves.

In 1959, the excess of deficits over surpluses was particularly striking owing to inconsistencies in the treatment of EPU repayments by debtor and creditor countries, and to the inclusion by some countries of new subscriptions to the International Monetary Fund as long-term capital movements rather than as changes in the composition of reserves. In fact, as measured by the countries themselves, the combined surplus of the manufacturing countries, other than the United States and the United Kingdom, was about $1¼ billion smaller than the estimate in Table 9. It consequently appeared to be much smaller than the combined deficit of those two countries, instead of being of broadly the same order of magnitude. This difference of view may have been partly responsible for a difference of perspective, as between the deficit and surplus countries, regarding the need for balance of payments adjustments in 1959.

In 1960, however, the inconsistencies in the interpretation of surpluses and deficits had, fortuitously, much less effect because of a different distribution of changes in foreign exchange assets and liabilities among countries; the indirect estimate in Table 9 of the combined surplus of the manufacturing countries other than the United States and the United Kingdom is close to the sum of their own estimates of their over-all balance of payments.

United States

The U.S. deficit of \$3.7 billion, as measured by net gold and dollar transfers to foreign official institutions and banks, was only slightly larger than in 1959 (Table 10). However, the pattern of payments was strikingly different in several respects. The U.S. trade surplus rose from an exceptionally low figure of less than \$1 billion in 1959 to \$4.7 billion, but this improvement was offset after mid-1960 by abnormally large capital outflows. In contrast to 1959, virtually all of the gold and dollar transfers in 1960 accrued to foreign official institutions, and U.S. gold sales to foreign countries were about \$1 billion higher than in 1959 (Table 17, page 113). They expanded markedly in the second half of 1960, when the over-all deficit rose sharply and the increase in dollar holdings of commercial banks was reversed.

Although the over-all deficit was reduced in the first half of 1960 to a seasonally adjusted annual rate of about \$2½ billion, it rose in the second half of the year to about \$5 billion. The balance on current and long-term capital account (including U.S. Government aid), which comprises mainly the basic elements that determine the balance of payments in the longer run, showed a deficit of only \$1.9 billion for 1960 as a whole (with little change between the first and the second half of the year when seasonally adjusted), compared with a deficit of \$4.3 billion in 1959—an improvement of \$2.4 billion.

On the other hand, the net movement in U.S. and foreign private short-term capital and unidentified transactions, which had been

TABLE 10. UNITED STATES: BALANCE OF PAYMENTS SUMMARY, 1958–FIRST QUARTER 1961[1]

(In millions of U.S. dollars)

				1960				1961
	1958	1959	1960	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Goods and services[2]								
Exports of merchandise f.o.b.	16,263	16,282	19,409	4,607	4,994	4,676	5,132	5,001
Imports of merchandise f.o.b.	−12,951	−15,294	−14,722	−3,830	−3,857	−3,550	−3,485	−3,406
Military expenditures	−3,412	−3,109	−3,048	−767	−756	−798	−727	−759
Other services[2]	1,650	1,502	1,486	376	294	67	749	515
Total	1,550	−619	3,125	386	675	395	1,669	1,351
Government grants and capital	−2,587	−1,986	−2,750[3]	−605	−804[3]	−562	−779[3]	−910
Private long-term capital								
U.S. direct investment	−1,094	−1,372	−1,694[4]	−303	−331	−327	−733[4]	−424
U.S. portfolio investment	−1,444	−926	−850	−258	−229	−149	−214	−68
Foreign capital	24	555	297	187	150	23	−63	119
Total	−2,514	−1,743	−2,247	−374	−410	−453	−1,010	−373
Balance on goods and services,[2] long-term capital, and aid	−3,551	−4,348	−1,872	−593	−539	−620	−120	68
Balance, seasonally adjusted				*−491*	*−481*	*−360*	*−540*	*166*
Short-term capital								
U.S. private	−306	−77	−1,312	−90	−164	−448	−610	−445
Foreign private	119	330	−236	−107	−4	−63	−62	−107
International nonmonetary institutions	283	144	393	83	61	97	152	55
Total	96	397	−1,155	−114	−107	−414	−520	−497
Net errors and omissions	380	528	−648	49	−128	−117	−452	69
Change in gold and liquid liabilities to foreign official and banks								
Liabilities to foreign banks	48	1,140	105	457	132	5	−489	−13
Liabilities to foreign official holders	752	1,552	1,868	151	548	509	660	27
U.S. gold holdings (increase —)	2,275	731	1,702	50	94	637	921	346[5]
Total	3,075	3,423	3,675	658	774	1,151	1,092	360[5]
Memorandum item: change in gold holdings and liquid liabilities, seasonally adjusted	3,477	3,897	3,832	614	706	1,106	1,406	288[5]

Sources: U.S. Department of Commerce, *Survey of Current Business,* and Fund staff estimates.

[1] Excluding military aid and transfers financed by it. No sign indicates credit; minus sign indicates debit.

[2] Including remittances and pensions.

[3] Including subscriptions to the Inter-American Development Bank ($80 million) in the second quarter and the International Development Association ($74 million) in the fourth quarter.

[4] Including transfer in connection with purchase by the Ford Motor Company of the minority interest in its U.K. subsidiary (debit of $370 million).

[5] Including an increase (debit of $25 million) in convertible currency holdings of U.S. monetary authorities.

inward to the extent of $0.8 billion in 1959, was outward to the extent of about $2.2 billion in 1960. The outflow rose from quarter to quarter and reached an annual rate of $3.5 billion in the second half of the year.

The improvement in the balance of payments on goods and services (including military expenditures, pensions, and private remittances), which had begun in the second half of 1959, was strongly maintained in 1960. In 1959, a deficit of $0.6 billion on a seasonally adjusted basis in the first three quarters was followed by an approximate balance in the last quarter. Thereafter, the quarterly figures showed an increasing surplus, rising to seasonally adjusted annual rates of $5.3 billion in the last quarter of 1960 and $5.6 billion in the first quarter of 1961. The surplus of $3.1 billion for the year 1960 was twice that of 1958 and about the same as that of 1956, though $2.0 billion smaller than the surplus in 1957. This improvement in the goods and services balance was due predominantly to the recovery of the U.S. trade surplus from its exceptionally low figure in 1959 to about the same high figure as in 1956.

The improvement in the trade balance arose principally from a sharp increase in U.S. exports; after having fallen by over one sixth from 1957 to 1958 and scarcely changing from 1958 to 1959, the value of exports in 1960 exceeded that in 1957. In addition, imports in 1960 were some 4 per cent below their peak in 1959. In the first half of the year, exports were about 17 per cent higher, at a seasonally adjusted annual rate, than during 1959, while imports were about the same. In the second half, exports were some 23 per cent higher than during 1959, while imports were about 7 per cent lower. However, the rise in exports slowed down considerably after the second quarter of 1960; indeed, it virtually ceased if exports financed under aid programs are excluded. More than two thirds of the improvement in the seasonally adjusted trade balance between then and the first quarter of 1961 (amounting to some $2.7 billion on an annual basis) was due to the continued fall in imports.

Part of the improvement in the goods and services account was offset by an increased outflow of long-term capital and aid. The net outflow of private long-term capital, government loans, and nonmilitary aid totaled about $3.7 billion in 1959. It rose to an annual rate of about $4.4 billion in the first half of 1960 and to one of $5.6 billion in the second half of the year, partly under the impact of certain special factors and partly in response to the difference between the trade cycle position of the United States and that of other industrial countries.

The rise in the net outflow of private long-term capital in the second half of 1960 was due, to a considerable extent, to the cessation of net foreign investment in the United States. Foreigners purchased $300 million net of U.S. corporate securities in the first half of the year, but were net sellers after mid-year, as signs of recession appeared. Early in 1961 they were net purchasers once again. The recorded net outflow of U.S. private long-term capital increased by $250 million from 1959 to 1960. It rose sharply in the second half of 1960 as a result of the large transfer in connection with the purchase by the Ford Motor Company of the minority stockholdings in its British subsidiary. Exclusive of this transfer, total direct investment abroad remained unchanged between 1959 and 1960; direct investment in Western Europe rose by over $100 million, but that in Latin America declined. New issues of foreign securities on the U.S. market were smaller than in any year since 1956. Such issues have been reduced in recent years because of fewer flotations by the World Bank; in 1960, there was also less borrowing by Western Europe and Canada.

Government loans and nonmilitary aid totaled nearly $2.8 billion in 1960, compared with just under $2 billion in 1959 and $2.6 billion in 1958. Much of the increase from 1959 to 1960 was a reflection of the unusually small net government lending in 1959; but more than half of the change is explained by the nonrecurrence of large advance debt repayments to the United States made in the first and fourth quarters of 1959. The remainder of the increase is attributable in large part to the U.S. subscriptions in 1960 to the newly established Inter-American Development Bank and the International Development Association. Grants showed little change from 1959.

The balance of identified short-term capital movements changed from an inflow of $0.4 billion in 1959 to an outflow at an annual rate of $2.0 billion in the second half of 1960. Equally important was the change in the balance of "errors and omissions" (which is usually positive for the United States) from an inflow of $0.5 billion in 1959 to an outflow of $1.1 billion (on an annual basis) in the second half of 1960. These changes reflected differences in money market conditions in the United States and foreign countries and, toward the end of the year, uncertainty about exchange rates and the price of gold. The change in the balance of recorded short-term capital movements occurred mainly in transactions with Western Europe and Japan. A large part of the unidentified outflow also appears to have gone to European markets, including some, such as Switzerland, where interest rates were lower than in the United States. An increase of $470 million in bank claims on Japan in 1960 was largely a consequence of changes in Japanese exchange regulations, which broadened the use of dollar acceptance credits for financing imports and permitted the establishment of convertible yen accounts for foreigners. Short-term claims on Latin America rose by $200 million, mainly on account of bank lending to certain countries which suffered payments difficulties in 1960.

In the first quarter of 1961, the balance of goods and services, long-term capital, and aid showed a small surplus amounting, on a seasonally adjusted basis, to an annual rate of about $0.7 billion. This compared with a corresponding deficit of almost $2.0 billion in the same quarter of 1960. The improvement was mainly a reflection of a rise of $3.3 billion (annual rate) in the trade surplus, in part offset by an increase of $1.2 billion in the outflow of government grants and capital. About three fourths of this latter increase was connected with the financing of U.S. exports. Moreover, much of the improvement in the trade balance was attributable to the cyclical factors described in the preceding chapter. Imports were about $1.7 billion (annual rate) lower than during the same period of 1960, and may be expected to increase again as industrial activity expands.

While the recorded outflow of short-term capital continued at a high rate, there was a small inflow on account of unidentified transactions, in place of the large outflow in the fourth quarter of 1960; this suggests a change in capital movements of the type that reflect mainly confidence factors. As a result of this, and of the further improvement in the basic balance, there was a sharp reduction in the over-all deficit, as measured by the net gold and dollar transfers to foreign official institutions and banks. The over-all deficit of $360 million was approximately matched by sales of gold, but these occurred mainly during the month of January. The liquid dollar assets of foreign official institutions and banks declined by $330 million during that month and rose again during February and March.

United Kingdom and Sterling Area

The underlying balance of payments position of the United Kingdom weakened after the first half of 1959, as the surplus on current transactions gave way to increasing deficits, while the recorded net outflow of long-term capital, excluding certain special transactions, continued to exceed $500 million a year. The total deficit on these accounts rose by more than $1 billion, to about $1.5 billion, in 1960 (Table 11). This marked deterioration in the underlying position was not, however, reflected in the reserves. When the effect of special capital transactions is again excluded, the over-all deficit measured by changes in reserves (including IMF and EPU positions), net of increased liabilities in the form of overseas sterling holdings, was slightly less than in 1959. While the balance on current and recorded long-term capital account worsened, there was a greatly increased inflow of private short-term capital and unidentified credits, induced by the relatively high interest rates in the United Kingdom during 1960. However, there was a considerable weakening of foreign exchange liquidity,

TABLE 11. UNITED KINGDOM: BALANCE OF PAYMENTS SUMMARY, 1958–FIRST QUARTER 1961[1]

(In millions of U.S. dollars)

	1958	1959	1960	1959 First Half	1959 Second Half	1960 First Half	1960 Second Half	1961 First Quarter
Goods, services, and donations								
Exports f.o.b.	9,497	9,825	10,390	4,833	4,992	5,339	5,051	2,764
Imports f.o.b.	−9,324	−10,018	−11,416	−4,844	−5,174	−5,693	−5,723	−2,926
Trade balance	173	−193	−1,026	−11	−182	−354	−672	−162
Services and donations	641	336	62	255	81	132	−70	6
Total	814	143	−964	244	−101	−222	−742	−156
Long-term capital								
Repayment of Export-Import Bank loan	—	−249	—	—	−249	—	—	—
Other official long-term	−137	−193[2]	−280	−6[2]	−187	−106	−174	−65
Private long-term								
Abroad (net)	−904	−888	−767	−456	−432	−381	−386	−205[3]
In United Kingdom (net)	540	490	851[3]	255	235	176	675[3]	
Total	−501	−840	−196	−207	−633	−311	115	−270
Balance on goods and services and long-term capital	313	−697	−1,160	37	−734	−533	−627	−426
Balance excluding two special transactions[4]	*313*	*−448*	*−1,526*	*37*	*−485*	*−533*	*−993*	*−426*
Private short-term capital	6	22	333	67	−45	115	218	168
Net errors and omissions	277	180	1,057	186	−6	396	661	140
Changes in sterling holdings								
Of non-sterling area	428	−25[2]	1,310[3]	−241[2]	216	350	960[3]	25[3]
Of sterling area	−249	518	−627	364	154	−84	−543	−104
Total	179	493	683	123	370	266	417	−79
Reserve movements (increase —)								
Net IMF position	−16	−378[5]	−423	−356	−22[5]	−90	−333	−13
EPU debit balance	−28	25	—	25	—	—	—	—
Official holdings								
Nonconvertible currencies	64	22	6	22	—	3	3	—
Gold and convertible currencies	−795	333	−496	−104	437	−157	−339	210
Total	−775	2	−913	−413	415	−244	−669	197
Memorandum item: change in reserves and sterling balances plus two special transactions[4]		246	136	−290	536	22	114	118

For footnotes, see page 87.

as the very large increase in the sterling holdings of non-sterling countries in 1960 substantially exceeded the rise in total reserves. At the same time, the overseas sterling countries, because of the marked deterioration of their balances of payments, drew increasingly upon their sterling holdings, whereas they had added considerably to these holdings in 1959. This combination of adverse balance of payments developments, for both the United Kingdom and the overseas sterling area, weakened the basic position of sterling during 1960.

The rapid deterioration in the U.K. trade balance was the principal cause of the worsening of the current account. In the second half of 1960, the trade deficit (on an f.o.b. basis for imports) was at an annual rate of about $1,350 million, compared with a deficit of $200 million in the whole of 1959 and a surplus of similar size in 1958. The widening of the trade gap was due to a 13 per cent expansion in the volume of imports, while the volume of exports rose by only 5 per cent.

About two thirds of the increase in imports consisted of basic materials and semimanufactures. This expansion was related to the high level of industrial production in 1960, and to a substantial rebuilding of stocks, which had been run down in 1958 and 1959. Imports of certain industrial materials, notably steel, rose because of excess pressure of demand on home capacity. The value of finished manufactures increased by nearly 40 per cent, as domestic demand for both investment and consumer goods was strong. This increase was facilitated by the liberalization measures of 1958

Footnotes to Table 11.

Sources: *United Kingdom Balance of Payments 1958 to 1960* (Cmnd. 1329), and Fund staff estimates. In Cmnd. 1329, a number of changes in sources and methods have been made which have led to substantial revisions of many of the previous estimates; in particular, the surpluses on account of goods, services, and donations, and the deficits on long-term capital, are now much smaller than previous estimates.

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

[2] Excluding the conversion into a Treasury Bond of the balance of $104 million remaining in the German debt repayment account. The additional subscription ($650 million) to the IMF is excluded from long-term capital and included, together with the accompanying increase in sterling liabilities to the IMF (credit of $488 million), in net IMF position.

[3] For comparability with the data for the United States in Table 10, the purchase by the Ford Motor Company of the minority interest in its U.K. subsidiary is treated as if it had been completed in December 1960. Accordingly, the accumulation of sterling balances for this purpose during December 1960 and their withdrawal to pay the stockholders during the first quarter of 1961 are omitted from the table.

[4] Repayment of Export-Import Bank loan ($249 million in 1959) and the transaction mentioned in footnote 3.

[5] See footnote 2.

and 1959. A special factor was a large purchase of commercial aircraft from the United States.

The worsening of the trade balance occurred in trade with industrial countries. An increase by more than 50 per cent in U.K. imports from the United States, and a 10 per cent fall in exports to the United States, were responsible for about three fourths of the over-all change. The balance of trade with the rest of the sterling area, and of trade with non-sterling primary producing countries, remained unchanged.

The balance on service transactions also worsened during 1959 and 1960, and the customary surplus gave way to a small deficit in the second half of 1960. Principally as a result of larger military spending (reflecting, inter alia, a reduction of $34 million in German contributions), government expenditures increased by about $160 million, or more than 20 per cent. In addition, net investment income was reduced as income from abroad fell and payments abroad increased, principally because of the rise in interest rates in the United Kingdom.

Changes in long-term capital resulted mainly from two extraordinary transactions—the advance debt repayment to the Export-Import Bank of Washington, which raised the outflow by $249 million in 1959, and the Ford transaction mentioned above, which led to an inflow of about $370 million in the last quarter of 1960. Other changes roughly canceled out. There was some reduction in the net outflow of private long-term capital, owing mainly to the receipt of $67 million compensation from the United Arab Republic, but the outflow of official long-term capital increased by a similar amount. While foreign direct investment, excluding the Ford transaction, increased somewhat, there was an equivalent decrease in other foreign private long-term investment.

The worsening balance of payments position of the overseas sterling area countries was reflected principally in the reduction of their sterling holdings by nearly $100 million in the first half of 1960, and by well over $500 million in the second half, following an increase of about $500 million during 1959. The total fall in the reserves, including changes in net IMF positions, of the overseas sterling area (including the Persian Gulf territories) exceeded $600 million, compared with an increase of about $800 million in 1959. The deterioration in the overseas sterling area's balance of trade, like that of the United Kingdom, occurred largely in trade with the United States, and was associated with a rapid increase in imports while exports to that country failed to rise.

The heavy inflow of funds into the United Kingdom was in part reflected in an increase in the sterling holdings of non-sterling countries; there were also increases in the recorded inflow of short-term capital from, and in unrecorded credits with, non-sterling countries. In 1959 there had been a small outward movement on account of recorded short-term capital transactions with non-sterling countries and a slight reduction in the sterling holdings of these countries,[1] while unrecorded credits with non-sterling countries amounted to $150 million; in 1960 the recorded inflow of short-term capital totaled some $320 million, the sterling holdings of non-sterling countries rose by $1,310 million,[2] and unrecorded credits with these countries totaled $770 million. About one quarter of the $370 million increase between 1959 and 1960 in the recorded inflow of private short-term capital from non-sterling countries was due to a sharp decline in the total of acceptances outstanding during the second half of the year. Roughly half the increase in the sterling holdings of non-sterling countries occurred in the third quarter, when the interest rate differentials between London and New York were greatest. Although the increase over the year was due predominantly to a rise in the private and official holdings of Western European countries, about $300 million of it was in private North American holdings. The large increase in the credit for unidentified transactions seems to have been associated with an unrecorded inflow of funds, which may not have comprised only short-term capital. Indirect evidence suggests that part of it may have taken the form of investment in stock exchange securities and hire-purchase companies.

[1] That is, after excluding the conversion into a Treasury Bond of $104 million remaining in the German debt repayment account.

[2] The Ford transaction is included in long-term capital, as in Table 11.

In the first quarter of 1961 there was some improvement in the basic elements of the U.K. balance of payments. Seasonally adjusted imports declined for the first time since early in 1959, and the recovery of exports which had begun in the last quarter of 1960 continued through March. The deficit on goods and services was reduced to less than half the rate of the last six months of 1960, and in spite of a sharp rise in the net outflow of private long-term capital (excluding the Ford transaction), the basic balance on current and long-term capital transactions became somewhat more favorable. However, the deficit of over $400 million on these items was twice as large as in the first quarter of 1960.

The net inflow of funds on account of other recorded capital and unidentified transactions, and of changes in sterling holdings of non-sterling countries, was very much smaller than during the latter part of 1960, and reserves declined by nearly $200 million. The credit item for unidentified transactions was substantially lower than usual during the first quarter, suggesting a reversal of the unrecorded inflow of funds which took place in 1960. Apart from the Ford transaction, there was little change in the total sterling holdings of non-sterling countries, but there was a marked increase in official holdings.

Federal Republic of Germany

German official reserves of gold and freely usable foreign exchange assets (including the net IMF position) rose in 1960 by nearly 50 per cent (more than $2.2 billion—Table 12), after having declined slightly during 1959—for the only time in the 1950's. If changes in commercial bank foreign exchange assets are included, the over-all surplus increased from about $200 million in 1959 to almost $2 billion in 1960. The greatly increased imbalance in the payments position was almost exclusively a reflection of the change from a large outflow to a large inflow of short-term capital. When special government payments in 1959 are excluded, there

TABLE 12. FEDERAL REPUBLIC OF GERMANY: BALANCE OF PAYMENTS SUMMARY, 1958–FIRST QUARTER 1961[1]

(In millions of U.S. dollars)

	1958	1959	1960	1960 Jan-Mar	1960 Apr-Jun	1960 Jul-Sep	1960 Oct-Dec	1961 Jan-Mar
Goods, services, and private donations								
Exports f.o.b.	8,803	9,801	11,410	2,719	2,739	2,744	3,208	2,966
Imports c.i.f.	−7,576	−8,478	−10,101	−2,376	−2,520	−2,455	−2,750	−2,485
Trade balance	1,227	1,323	1,309	343	219	289	458	481
Services to foreign troops	923	981	1,021	264	239	249	269	252
Other goods, services, and private donations	−320	−654	−571	−90	−114	−199	−168	−132
Total	1,830	1,650	1,759	517	344	339	559	601
Long-term capital and official donations								
Official donations	−346	−569	−562	−118	−159	−126	−159	−129
Government long-term capital	−259	−534	−303	−51	−83	−92	−77	−58
Private long-term investment abroad[2]	−244	−366	−345					
Foreign private long-term investment in Germany[2]	56	240	247	−133	−4	−24	63	66
Repayment received on former EPU debt	—	244	277	43	34	177	23	63
Other Bundesbank assets (increase —)	−61	136	15	33	−21	12	−9	4
Total	−854	−849	−671	−226	−233	−53	−159	−54
Short-term capital (including net errors and omissions)								
Government short-term capital	53	−278	−179	−226	76	31	−60	−12
Commercial bank credits extended (increase —)	−80	−14	−30	−35	−3	4	4	−52
Bundesbank and commercial bank liabilities[3]	−113	4	279	10	130	9	130	22
Other short-term capital[2]	64	−177	485	29	61	171	224	184
Net errors and omissions	−155	−118	308	44	226	255	−217	145
Total	−231	−583	863	−178	490	470	81	287
Commercial bank foreign exchange assets (increase —)	−63	−299	292	38	283	42	−71	−441
Reserve movements (increase —)[4]	−682	81	−2,243	−151	−884	−798	−410	−393

Sources: Deutsche Bundesbank, *Monthly Report,* and Fund staff estimates.

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

[2] Private long-term capital excludes, and other short-term capital includes, transactions in fixed-interest-bearing securities. However, the 1958 figure for private long-term investment abroad includes transactions in fixed-interest-bearing securities during the first half of the year, since separate data for such transactions are not available for that period.

[3] Mainly short-term credits obtained abroad and deposits of private foreigners.

[4] Covers gold, freely usable foreign exchange, EPU credit balance, and net IMF position.

was little change in the balance of payments on current and long-term capital account, which in 1960 showed a surplus of $1.1 billion.

The surplus on goods and services account rose by about $100 million, mainly as a result of a sharp rise in re-exports. Receipts for services to foreign troops and the balance of special trade showed only minor changes. While exports grew more rapidly from 1959 to 1960 than from 1958 to 1959, imports rose at an even higher rate. Rising exports of machinery reflected the growth of orders received in 1959, but deliveries in 1960 did not keep pace with fresh orders. Imports of industrial raw materials rose by one fifth, of semimanufactures by more than one third, and of finished manufactures by one quarter. Increasing shortages and delays in delivery of machinery, and of materials and components for capital goods, stimulated import demand in spite of the fact that foreign prices were sometimes higher than German prices. Imports of agricultural products rose much less than in 1959, as a result of the good harvest in 1960.

In both 1959 and 1960, German private long-term investment abroad exceeded foreign private long-term investment in Germany by about $100 million; the changes from 1959 to 1960 in both categories were small. The reduction by almost $200 million in 1960 in the outflow on account of long-term capital and official donations resulted largely from the nonrecurrence of certain special official payments that had taken place in 1959, i.e., advance repayment of debt and payments to France in connection with the transfer of the Saar. When these special transactions are excluded, the balance on current and long-term capital transactions was about $1.1 billion both in 1959 and in 1960. These amounts include, each year, about $250 million in repayments of bilateral claims, which Germany took over at the liquidation of the EPU, and on which the outstanding balance at the end of 1960 was about $500 million. Since these claims are scheduled to be repaid within a relatively short period, the repayments may perhaps be disregarded in an assessment of the basic balance of payments problem of Germany. If so, the hard core of this problem as it appeared in 1960 was an annual surplus of the order of $800-900 million.

Most of the change in the German over-all balance of payments position from 1959 to 1960 resulted from movements of short-term capital, including fixed-interest-bearing securities. The total alteration on account of short-term capital movements, changes in commercial bank foreign exchange assets, and "errors and omissions" was more than $2 billion. The heavy inflow of short-term capital in the second and third quarters of the year was occasioned by the wide differential which developed between interest rates in the Federal Republic and other important centers, particularly the United States; by the restriction of liquidity, which caused banks to repatriate funds held abroad, especially in the second quarter of the year; and by speculation concerning possible changes in exchange rates. These factors led, at least temporarily, to a substantial inflow of foreign exchange, particularly through changes in the terms of payment, which seem to have been responsible for the large credit in the item for "errors and omissions" in the second and third quarters of the year.

The principal effect of the steps taken by the authorities to restrain the inflow of capital, as described in Chapter 5, seems to have been to change the form of the flow of capital into Germany. Much of the inflow in the second half of 1960 took the form of foreign purchases of German fixed-interest-bearing securities, which totaled more than $300 million over the year.

In the first quarter of 1961, the German surplus on current and long-term capital account was about $250 million higher than in the corresponding quarter of 1960. There was an increase of about $100 million in the surplus on goods and services account and a change of $200 million, from a net outflow to a net inflow, in private long-term capital excluding fixed-interest-bearing securities. There was again a substantial inflow on account of unrecorded transactions, and the large recorded inflow of private nonbank short-term capital continued. On March 6, the German authorities appreciated the deutsche mark by 5 per cent. Plans are also being formulated to increase substantially the amount of economic aid extended by Germany. These measures, and the significant rise in wages during 1960 and early in 1961, may help to reduce the persistent surplus in the German balance of payments.

Other Western European Manufacturing Countries and Japan

The other Western European manufacturing countries and Japan accounted for a large proportion of the balance of payments surpluses which arose in 1959. As measured by the change in their gold and foreign exchange holdings (including the holdings of commercial banks and the net IMF positions), this group of countries had a surplus of well over $3 billion in that year (Table 13).[1] In 1960 there was a considerable reduction in the basic elements of imbalance which had given rise to the surpluses of 1959. Thus the surplus on goods and services account, which had amounted to nearly $2.8 billion in 1959, was reduced to a little over half that sum in 1960 and showed signs of further reduction early in 1961. As described in the following pages, the extraordinarily large over-all surpluses of France and Italy in 1959 were approximately halved in 1960, and the current account surpluses of the Netherlands and Japan were considerably reduced. Nevertheless (mainly as a result of the increased inflows of short-term capital, or of long-term capital induced by temporary factors, particularly into the last two countries and Switzerland), the total gold and foreign exchange holdings of the whole group again improved, by $2¾ billion. Of this total, however, about $500 million may have comprised claims on other countries in the group (see footnote 2 to Table 9). France, Italy, the Netherlands, and Japan, discussed below, recorded further large increases in holdings of gold and foreign exchange, but there were only slight changes

[1] These estimates exclude changes in the foreign exchange assets of commercial banks in a few countries, e.g., Switzerland.

TABLE 13. OTHER MANUFACTURING COUNTRIES OF WESTERN EUROPE, AND JAPAN: BALANCE OF PAYMENTS SUMMARIES, 1959 AND 1960[1]

(In millions of U.S. dollars)

	1959					1960				
	Balances of			Increase (−) or Decrease in		Balances of			Increase (−) or Decrease in	
	Goods, services, and private donations	Private capital[2]	Official grants and capital[3]	Commercial bank assets	Reserves[4]	Goods, services, and private donations	Private capital[2]	Official grants and capital[3]	Commercial bank assets	Reserves[4]
Austria	48	33	−53	....	−28	−56	111	−36	....	−19
Belgium-Luxembourg	232	−200	−2	−106	76	144	−68	62	20	−158
Denmark	2	120	16	−35	−103	−77	82	−55	15	35
France, Metropolitan	684	399	−187	....[5]	−1,021[5,6]	682	285	−404	−194	−517[6]
Italy	781	406	−134	−174	−879	360	268	−88	−337	−203
Netherlands	488	−186	−59	−247	4	331	93	−27	11	−408
Norway	−80	149	−46	1	−24	−106	156	−6	−23	−21
Sweden	−10	50	9	−81	32	−91	85	5	57	−56
Switzerland	174	−140	−37	....	3	55	207[7]	....[7]	....	−262
Japan	431	191	−60	−120	−442[8]	223	519	−73	−201	−468[8]

Source: Based on data reported to International Monetary Fund. For 1960, the data for some countries are provisional and are not comparable with those for 1959.

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

[2] This item is a residual and includes net errors and omissions.

[3] Excluding capital movements considered as reserve movements; see footnote 4.

[4] Reserve movements generally cover changes in gross official holdings of gold and convertible foreign exchange assets, in net payments agreements balances, and in net IMF, EPU, and European Fund positions. The changes in net EPU positions cover only the settlements made before January 15, 1959, the date of the liquidation of the Union. The conversion of EPU balances outstanding on that date into bilateral claims between individual countries is not reflected in the table; the subsequent payments on these bilateral claims are included with official grants and capital.

[5] Changes in commercial bank net assets are included in reserve movements.

[6] Reserve movements include settlements by Metropolitan France on behalf of other franc area countries and differ by that amount from the total of transactions of Metropolitan France with the non-franc area. They are measured net of official short-term liabilities.

[7] Official capital is included in private capital.

[8] Excluding gold holdings not previously counted as reserves.

in the holdings of Austria, Denmark, Norway, and Sweden. While the balance of payments of a few of the ten manufacturing countries listed in Table 13 weakened slightly from 1959 to 1960, the group as a whole was characterized by a combination of high economic activity and a comfortable balance of payments position.

The large goods and services surplus of *France* with countries outside the franc area remained, on a payments basis, the same as in 1959. Within the total of about $680 million, the net expenditures of foreign governments again amounted to $340 million. Although the value of French export shipments increased by more than one fourth, in line with that of imports from non-franc countries, the surplus on visible trade fell by some $400 million, to less than $50 million in 1960. This reduction reflected changes in "leads and lags," which had been particularly favorable during 1959 following the devaluation at the end of 1958; it was also associated with the lengthening of the time accorded for repatriation of export proceeds, from three months in 1959 to six months in 1960. The deterioration on trade account was, however, offset by improvements in services—in particular foreign travel and miscellaneous transactions.

Despite the fact that the balance on goods and services in 1960 was similar to that in 1959, France's over-all surplus in 1960 was about $500 million smaller than in the preceding year. As measured by the increase in official reserves (including the net IMF position and payments agreements liabilities) and in commercial bank foreign exchange holdings (net of an increase of $172 million in liabilities), it totaled about $550 million. The inflow of private long-term capital was about $100 million smaller than in 1959, although it was still high, amounting to about $300 million. The net outflow on account of official long-term capital transactions and grants, which had been about $200 million in 1959, doubled in 1960, partly as a result of the nonrecurrence of certain special receipts from the Federal Republic of Germany in connection with the transfer of the Saar. Official debt repayments, including those on the consolidated EPU debt, continued at a rate of about $300 million a year. The net balance of the overseas franc area with the world, excluding France, also worsened from 1959 to 1960.

Italy's accumulation of reserves, which had been heavy in recent years, moderated in 1960. Total holdings of gold and foreign exchange rose by less than $550 million, following an increase of about $1 billion in 1959 and somewhat less in 1958 (when account is taken of changes in the net IMF and EPU positions during those years). In 1960 the Italian authorities authorized the commercial banks to participate on a large scale in the financing of foreign trade, and permitted them to hold much larger foreign exchange balances than formerly. In consequence, the holdings of commercial banks increased by more than $300 million in 1960.

The surplus on goods and services and private donations was reduced from about $780 million in 1959 to about $360 million in 1960. Net receipts from tourism rose by a further $100 million but, despite the continued rapid growth of exports, there was an increase of $500 million in the trade deficit, which had been unusually small in 1959. A very sharp rise in imports seems to have been due in part to liberalization measures, but mainly to the rapid expansion of the economy. There were large increases in imports of raw materials (notably cotton, metals, and timber), chemicals, and industrial equipment; in addition, wheat imports rose because of the poor cereal crop, and there were substantial purchases of jet aircraft from the United States.

The balance on private long-term capital movements appears to have remained about the same in 1960 as in 1959. On the one hand, the inflow of foreign capital increased by about $140 million; borrowing abroad by Italian enterprises was smaller than in either 1959 or 1958, but foreign direct investment and net purchases of Italian securities rose even more rapidly than in preceding years. On the other hand, private investment abroad increased from about $50 million in 1959 to more than $150 million in 1960, even though private purchases of foreign securities remained severely restricted. In addition, private export credits under government guarantee for the purchase of Italian capital goods, which were extended mainly to less developed countries, continued at a rate of about $100 million.

The surplus of the *Netherlands* on goods and services and private donations in 1960 was about $150 million smaller than in 1959, owing to a deterioration in the balance of trade. However, official reserves (including the net IMF position) rose by $400 million; the foreign exchange assets of commercial banks were almost unchanged. (In 1959 these assets rose by about $250 million while official reserves were unchanged.) There was a small net inflow of private long-term capital in 1960, following a slight outflow in 1959, but the principal cause of the greater accumulation of reserves in 1960 was the net inflow of short-term capital (including bank funds and unidentified transactions), in contrast to a very substantial outflow in 1959.

The surplus on goods and services account has in recent years been a higher percentage of GNP in the Netherlands than in any other industrial country, and in spite of the fall from 1959 to 1960 the ratio was still almost 3 per cent, compared with about 2¾ per cent for Germany. Heavy pressure of demand upon domestic resources has been generated mainly by the foreign surplus. When the appreciation of the deutsche mark by 5 per cent in March 1961 was believed likely to increase the pressure, the Netherlands authorities, in view of the country's close economic ties with the Federal Republic, decided to revalue the guilder correspondingly.

Japan's surplus on goods, services, and private donations, which was $500 million in 1958 and $430 million in 1959, fell to $220 million in 1960, while the net outflow on account of private long-term capital and official financing increased. Nevertheless, Japan's official reserves (including the net IMF position but excluding gold not previously counted as reserves) increased by $470 million during 1960. This rise, which was even larger than that of 1959, was mainly the result of a net inflow of about $400 million of short-term bank funds (compared with $100 million in 1959), due in turn to a further and larger increase in import usance bills, a substantial rise in borrowing from foreign banks, and a considerable inflow into the nonresident free yen accounts established in July 1960. As in 1959, part of the increase in short-term liabilities was offset by an increase in the short-term assets of the banking system.

Much of the decline in the current account surplus was due to the deterioration in the balance of trade and the consequent increase in the deficit for transportation and insurance arising from the growth of imports. The deficit on service transactions was also increased by the substantial relaxation of restrictions on transactions in invisibles. Under the program adopted in June 1960, restrictions on invisibles are, in principle, to be abolished within two years, and liberalization of imports is to be extended within three years to 80 per cent of imports (or, if imports of coal and petroleum are liberalized, to 90 per cent). Japan's exports rose steadily during 1960, helped by favorable conditions, including reduced discrimination, in a number of markets. But while the value of exports rose by 18 per cent, imports (f.o.b.) rose by 22 per cent, stimulated by rising domestic activity and the liberalization of trade. Moreover, exports to the United States, which had been rising rapidly up to the middle of 1960, ceased to expand in the third quarter and declined quite sharply in the last quarter of 1960. In the first quarter of 1961, total exports slackened, largely because of a further decrease in exports to the United States; and, as imports continued to increase, the trade balance again deteriorated. However, reserves increased further in that period, owing to the continuing large inflow of short-term bank funds.

Primary Producing Countries

The balance of payments of primary producing countries as a group tended to deteriorate from 1959 to 1960 (Table 14). Although commodity prices weakened after mid-1960, they were on the average about the same in the two years. A larger volume of exports therefore added to these countries' earnings in 1960.

TABLE 14. PRIMARY PRODUCING COUNTRIES: BALANCE OF PAYMENTS SUMMARIES, 1959 AND 1960

(In millions of U.S. dollars)

	Balance of Goods, Services, and Private Donations[1]		Balance of Capital and Official Grants[1,2]		Increase (—) or Decrease in Net Reserves[3]		Official Reserves, End of 1960
	1959	1960	1959	1960	1959	1960	
Latin American Republics							
Argentina	11	−115	169[4]	376	−180	−261	658
Brazil	−350	−470	343[5]	445[5]	7	25	428[6]
Chile	−42	−145	117	115	−75	30	113
Colombia	60	−24	13[7]	−14	−73	38	153
Dominican Republic	−6	73	—	−94	6	21	26
Mexico	−50	−182	112	162	−62	20	393
Peru	−34	22	66	−5	−32	−17	69
Uruguay	−44	−80	18	49	26[8]	31[8]	213
Venezuela	−39	436	−305	−550	344	114	558
Other	−196	−249	70	121	126	128	333
Total	−690	−734	603	605	87	129	2,944
Overseas Sterling Area[9]							
Australia	−374	−941	520	582	−146[10]	359[10]	843[10]
Burma	−13	−26	39	18	−26	8	125
Ceylon	−52	−54	19	11	33	43	89
Ghana	−28	−70	15	28	13	42	381
India	−428	−763	565	688	−137	75	670
Libya	−25	−82	42	95	−17	−13	81
Malaya and Singapore	63	182	86	−56	−149	−126	775
New Zealand	106	−67	−76	27	−30	40	177
Pakistan	−102	−139	191	154	−89	−15	313
Rhodesia and Nyasaland	−51	−29	65	4	−14	25	196
Union of South Africa	221	42	−58	−242	−163	200	244
U.K. Colonial Territories[11]	−370	−493	398	423	−28	70	2,772
Other[12]	−137	−91	136	98	1	−7	332
Total	−1,190	−2,531	1,942	1,830	−752	701	6,998
Other							
Canada	−1,484	−1,251	1,473	1,211	11	40	1,836
Ethiopia	−22	−13	17	18	5	−5	55
Indonesia	25	−62	81	118	−106	−56	337
Iran[13]	−106	−82	86	16	20	66	184
Iraq	30	−12	−22	−29	−8	41	254
Spain	−61	361	163	23	−102	−384	590
Sudan	39	−3	31	36	−70	−33	191
Thailand	−64	−27	74	87	−10	−60	368
Turkey	−119	−117	105	103	14	14	252
United Arab Republic							
Egyptian Region	−102	−72	33	−12	69	84	291
Syrian Region	−11	−52	18	36	−7	16	50
Other[14]	−737	−1,101	1,050	1,255	−313	−154	2,943
Total	−2,612	−2,431	3,109	2,862	−497	−431	7,351
Grand Total	−4,492	−5,696	5,654	5,297	−1,162	399	17,293

For footnotes, see page 101.

However, imports tended to rise faster than exports, in delayed response to increased exports to the industrial countries in earlier years. Abnormal capital movements in 1960, as in 1959, subjected a few countries to additional strain.

In some countries (e.g., Australia, Burma, Iraq, Malaya, and Pakistan), the rise in imports was attributable, at least in part, to a relaxation of restrictions. In others, the continuance of expansionary financial policies was a major factor in higher demand for imports. In several countries, increases in imports were associated with larger receipts of official grants and loans. The total financing provided to less developed countries through reparations, official grants, and loans, as reported to the Fund in balance of payments returns, was somewhat higher in 1960 than in 1959.

Nevertheless, the rising imports of the primary producing countries were, in part, financed by drawing on reserves; in the aggregate, these countries' reserves, including net IMF positions, declined by about $400 million, in contrast to an increase of over $1,100 million in 1959. If the few primary producing countries

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Footnotes to Table 14.

Source: Based on data reported to the International Monetary Fund. For 1960, the data for many countries are provisional.

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

[2] Including net errors and omissions.

[3] Including change in net IMF position. Reserve movements are generally the changes in gross official holdings of gold and foreign exchange assets as reported in International Monetary Fund, *International Financial Statistics.* Minus sign indicates an increase in assets, a gold subscription to the Fund, or a repayment of a drawing on the Fund; no sign indicates a decrease in assets or a drawing on the Fund. These movements are not necessarily equal to the changes in the net foreign assets of the monetary system shown in Table 8. Reserve movements here are limited to changes in official gold and foreign exchange holdings. The changes in Table 8 show the net amounts paid out (or received) by the monetary system in acquiring (or disposing of) foreign holdings.

[4] Including drawings of $79 million on special loans from the Export-Import Bank of Washington and other U.S. banks.

[5] Including $115 million for 1959 and $180 million for 1960 of net receipts from swap transactions.

[6] Including $210 million pledged as collateral.

[7] Including drawings of $65 million on special loans from the Export-Import Bank of Washington and other U.S. banks.

[8] Including changes in foreign liabilities.

[9] Excluding Persian Gulf territories.

[10] Including commercial banks.

[11] Including Nigeria. Reserve figures cover all sterling assets.

[12] Iceland, Ireland, and Jordan.

[13] Data for 1959 refer to solar year beginning March 21; data for 1960 refer to calendar year.

[14] China (Taiwan), Finland, Greece, Israel, Korea, Overseas French Franc Area, Philippines, Portugal, Viet-Nam, and Yugoslavia.

that are industrially more advanced (Australia, Canada, New Zealand, and South Africa) are excluded, the remaining countries as a group were in surplus in both 1959 and 1960, but their combined surplus was reduced from about $830 million in the first year to about $240 million in the second.

Decreases in reserves were nevertheless widespread, while increases tended to be concentrated in a few countries. Thus, in Latin America, a minor decline in net official reserves concealed a total decrease of $419 million in 14 countries; there were increases, totaling $290 million, in only 4 countries, and Argentina alone accounted for $261 million of this figure. In the overseas sterling area excluding the Persian Gulf territories, net reserves declined more substantially; there was a rise totaling about $160 million for 5 countries (to which Malaya contributed $126 million) and a decline totaling about $860 million for 9 independent countries and the U.K. colonial territories, taken as a group. In the "other selected primary producing countries" shown in Table 14, net reserves increased on the whole. However, an increase of $384 million in Spain overshadowed the other surpluses, and there were declines in several countries.

Latin America

In Latin America, the two countries which showed the largest changes in reserves, though in opposite directions, were Argentina and Venezuela. The substantial increase in *Argentina's* net reserves reflected a rising inflow of official and private capital from abroad, which more than covered a deficit of $115 million on current account. Imports revived from their depressed level in 1959, and, even though export receipts increased, there was a small trade deficit in contrast to approximate balance in the earlier year (Table 7, page 57). There was some evidence of short-term capital inflow, attributable largely to the return of confidence which followed the stabilization program. An opposite situation existed in *Venezuela,* where reserves fell for the third year in succession, mainly as a result of a flight of short-term capital caused by budgetary difficulties and by an erosion of confidence in the unrestricted convertibility of the bolívar. The merchandise trade balance improved. The value of exports was 3 per cent larger than in 1959, despite lower prices for petroleum, while imports declined by almost 24 per cent, mainly as a result of the reduction in economic activity and the imposition of higher customs tariffs and certain import prohibitions late in 1959. Nevertheless, the central bank's net holdings of gold and foreign exchange declined by $114 million, and the balance of payments deficit was even greater when account is taken of a $200 million loan from foreign banks, utilized for covering the Government's budget deficit. However, the decline in reserves was reversed after the imposition of exchange controls in November 1960.

The receipts of coffee exporters in Latin America changed little; those of Brazil and Colombia declined slightly, and those of the Central American Republics increased. The imports of the group, however, rose by 10 per cent, and their reserves generally declined. The stability in receipts stemmed from the maintenance of coffee prices at levels only fractionally lower than in 1959, by means of continued stockpiling. The accumulation and financing of stocks became increasingly burdensome, particularly for *Brazil,* which held most of the stocks. That country's external position worsened markedly in 1960 as imports continued to rise; the current account deficit amounted to $470 million, to which contractual amortization added another $400 million. Despite a substantial inflow of both private and official long-term capital, and the use of reserves and of $48 million from Fund resources, short-term liabilities to foreigners, including those under swap contracts, rose by almost $350 million. In *Colombia,* a balance of payments deficit followed a surplus in 1959, imports rising by 15 per cent and exports slightly declining.

The balance of payments situation of Latin American countries exporting sugar was influenced by the changing pattern of the trade. While sugar from *Cuba* was being shipped to countries in the Soviet area at prices below those received previously in the U.S. market, a number of other countries, notably the Dominican Republic and Peru, benefited from increased U.S. purchases in the latter part of the year. An increase of 38 per cent in *Peru's* export earnings was attributable to a sharp rise in copper and iron ore shipments following the opening of new mining installations and to an expansion of fish meal and other exports. This more than offset a rise in imports and a reduction in the net inflow of capital, and Peru's reserves continued to increase, though at a slower rate than in 1959. The reserves of the *Dominican Republic,* on the other hand, declined faster than in 1959; while its current account balance improved, there were adverse changes in its capital account.

The experience of other countries in Latin America was not uniform. In *Chile,* rising imports and an apparent reversal in the direction of the flow of unidentified short-term capital led to a balance of payments deficit totaling $30 million for the year as a whole, following a surplus of $75 million in 1959. The decline in reserves continued at an accelerated rate into 1961. In February 1961, Chile adopted a stabilization program, which was supported by a stand-by arrangement with the Fund for $75 million. *Mexico's* exports increased only slightly, while imports exceeded those in 1959 by 18 per cent. Although the rise in imports was confined primarily to machinery, vehicles, and construction materials and was associated in part with a larger inflow of long-term capital, the greater trade deficit resulted in a moderate decline in reserves; in the previous year, reserves had risen significantly. In *Uruguay,* the decrease in reserves in 1960 was larger than in the previous year; a rise in imports was not fully counterbalanced by a recovery in meat shipments (which had been affected by drought in 1959), some advance in other exports, and an increased inflow of capital.

Overseas Sterling Area

In the overseas sterling area, declines in reserves were widespread. They were especially large in Australia, the Union of South Africa, and India, in marked contrast to substantial increases in these countries in 1959. In *Australia,* the virtual elimination of import restrictions early in 1960 and the rapid pace of development led to a deterioration of more than $550 million in the balance of payments on current account. Imports were 28 per cent above those in 1959. Weakening prices of butter, meat, and metals, and lower wool prices in the latter half of 1960, combined to reduce export receipts by 2 per cent. The net official capital inflow was considerably smaller than in 1959. However, the apparent private capital inflow, including "net errors and omissions," was larger, and the change from an over-all surplus of $146 million to a deficit of $359 million was only slightly less than the deterioration in the current account.

The balance of payments of the *Union of South Africa* suffered a substantial reversal in 1960, net reserves falling by $200 million. The current account surplus was reduced from $221 million to $42 million, mainly because of a buoyant demand for imports, which rose by 14 per cent while exports rose by only 2 per cent. But the outstanding adverse factor was the very large outflow of private capital. This was due in part to direct investment in the Federation of Rhodesia and Nyasaland and in part to some movement of short-term funds to London in response to interest rate differentials, but chiefly to sales of gold-mining shares and other securities by foreigners to Union residents, prompted by some loss of confidence associated with the Union's internal difficulties.

Another country whose reserves declined for somewhat similar reasons, though on a much smaller scale, was the *Federation of Rhodesia and Nyasaland.* Although the current account deficit was reduced as a result of a considerable increase in export receipts (due, in the main, to larger earnings from copper), this was more than offset by a substantial decline in the net inflow of capital.

In *India,* a substantial rise in imports, owing in part to poor cotton and jute crops but mainly to the larger maintenance needs of a rapidly growing industrial sector, raised the goods and services deficit by about $300 million, to well over $800 million. Exports on the basis of trade returns rose at a slower rate than imports. The deficit was financed substantially by the inflow of some $600 million of official long-term capital. Official and private donations contributed another $150 million. India's reserves declined by

$144 million. During 1960 India repurchased $72.5 million from the Fund.

Among other sterling area countries whose reserves declined, the experience of *New Zealand* was somewhat similar to that of Australia. *Ghana's* reserves continued to fall. As cocoa prices, following two consecutive large crops, were much lower than in 1959, a larger volume of exports, caused by restocking demand in importing countries, did not raise earnings sufficiently to finance the 1960 imports, which were much higher than those in 1959. In *Ceylon,* a larger export volume raised receipts despite somewhat lower prices for tea; but reserves declined, for the fourth successive year, as the current account deficit continued. In *Burma,* the deficit on current account increased as imports rose following some relaxation of restrictions in 1959. Export earnings increased only slightly; although the volume of rice shipments exceeded that in 1959, export prices were lower. A reduction in the net inflow of capital also contributed to the decline in reserves, the increase in official loans and grants received being more than counterbalanced by substantial outpayments, including the purchase of the majority stockholdings in a foreign-owned oil company.

Among the few countries of the overseas sterling area which showed increases in reserves, *Malaya* was the most prominent. Rubber and tin prices, on an annual average, were higher than in 1959, although rubber prices declined appreciably in the second half of 1960. These products contributed more than two thirds of the 18 per cent increase in exports; there was also a substantial expansion of minor exports, particularly iron ore. Malaya's restrictive system was further liberalized, and, barring certain political restrictions, imports into the Federation are now free. Reserves also increased in *Pakistan,* although at a much slower rate than in 1959. A sharp rise in imports was only partly offset by a substantial increase in exports. As a result of short crops, jute prices in 1960 were nearly 30 per cent above the 1959 average, but the rise in export earnings was due mainly to some recovery of cotton shipments and to a substantial rise in other exports. *Libya* increased its reserves once again, as receipts from oil rose.

Other Countries

In *Canada,* the most important country among those grouped as "other primary producing countries," a reduction in the inflow of capital offset improvements in the current account. The deficit on merchandise trade was reduced as an increase in exports to Western Europe exceeded the decline in those to the United States, and total imports were slightly lower than in 1959. However, the adverse balance on account of total current transactions was reduced by less than the improvement in the trade account. The net inflow of long-term capital fell by $264 million. Foreign direct investment was $140 million more than in 1959, but the inflow from securities transactions declined by $399 million, mainly as a result of a sharp fall in flotations by provincial and municipal authorities. Reserves showed a net decline of $40 million, and the Canadian dollar rate fell from an average of US$1.0504 in the first quarter of 1960 to $1.0178 in December.

In the *Egyptian Region* of the United Arab Republic, there was a considerable advance in exports, resulting from higher prices for extra-long-staple cotton and the resumption of rice shipments, but reserves declined considerably, owing to extraordinary capital payments, totaling $95.2 million, made to shareholders of the Suez Canal Company and to the Governments of the United Kingdom and the Sudan. There was also a significant decline in the net reserves of the *Syrian Region,* where imports rose sharply and exports were retarded by drought conditions for the third year in succession.

The current account deficit of *Turkey* changed little from 1959. Exports decreased because of the unfavorable 1959 cereal harvest and because of the poorer quality of the tobacco crop combined with lower external prices. In spite of continued substantial assistance from abroad, reserves declined. In *Iraq,* reserves were drawn down despite a moderate improvement in the foreign exchange income of the oil sector, as import controls were relaxed in an attempt to check rising prices and to permit restocking. To prevent a further decline in reserves, import restrictions were tightened again early in 1961. Reserves also decreased in *Iran,* where a stabilization program was adopted in October 1960 to restore equilibrium in the balance of payments (see page 31).

Among countries gaining reserves, *Spain* registered a spectacular rise of 45 per cent in exports in 1960. This was largely the effect of the devaluation, carried out in July 1959 in connection with a comprehensive stabilization program, although a bumper citrus crop and a large output of olive oil in 1959 contributed to the outcome. Imports declined by 9 per cent, reflecting the absence of inflationary demand as well as the devaluation.

In only two countries in this "other countries" group was the rise in reserves attributable to an improved trade balance. In *Thailand,* a 10 per cent improvement in receipts was accounted for mainly by larger earnings from rubber and tin. Imports rose at a slower rate, and net reserves increased by $60 million, compared with an increase of $10 million in 1959. The exports of *Ethiopia* rose by more than 19 per cent. Good crops of coffee were harvested and could be marketed without any limitations on volume as the country was outside the International Coffee Agreement. Other exports also earned more than in 1959, while imports, even though slightly higher, continued to be discouraged by an extensive use of advance deposits on imports. Reserves rose by about 10 per cent. In the *Sudan* the increase in reserves was smaller than in 1959. Imports rose by more than 25 per cent, while exports declined slightly, despite a good cotton crop and favorable prices, since, unlike 1959, there was no substantial carry-over to be disposed of. In *Indonesia,* also, the rise in reserves was at a slower rate than in 1959. A diminution in the output of rubber reduced the volume exported, but earnings were maintained by higher prices, especially in the first part of the year. Total exports were slightly lower than in 1959, but imports rose by 19 per cent, reflecting some liberalization of imports and the internal inflationary situation in the country. Several other countries with declining trade balances also achieved gains in reserves, attributable mainly to an enlarged inflow of official grants and long-term capital.

World Reserves

Gold and foreign exchange reserves held by national monetary authorities (excluding the U.S.S.R. and countries associated with it) increased by $2.7 billion in 1960, or by almost 5 per cent (Table 15). In the previous year there had been a small decline as the result of two large, nonrecurring transactions—subscriptions to the International Monetary Fund ($1.2 billion in gold) and the termination of the European Payments Union ($1.3 billion in foreign exchange). Other transactions in 1959, however, had added $1.0 billion in gold and $1.2 billion in foreign exchange to national reserves. In contrast, the 1960 increase took the form almost entirely of foreign exchange, net additions to the gold held by national authorities amounting to less than $0.2 billion.

The redistribution of the world's official gold stock, which had been taking place on an important scale in 1958 and 1959, continued in 1960, as is shown by Chart 3 and Table 16. Because of an unusually large increase in private holdings,[1] net additions to official holdings were smaller in 1960, in spite of record production, than in any postwar year except 1951 and 1952. The net gold outflow from the United States to other countries reached $2.0 billion in 1960, but this was partly offset by a sale of gold by the Fund, equivalent to $0.3 billion. As in previous years, virtually all of the addition to world reserves and the outflow from the United States went to increase the holdings of the European industrial countries, many of which maintain a high proportion of their total reserves in the form of gold. The rise in the gold holdings of Belgium, Germany, and the United Kingdom was appreciably smaller, in proportion to the increase in their total reserves,[2] than in previous years. Italy, on the other hand, increased its gold holdings by $300 million more than the growth in its total reserves;[2] and the whole of the increase in French reserves[2] took the form of gold. For the other European industrial countries, gold holdings in 1960 rose in about the same proportion as other

[1] See Chapter 8, pages 126-29.
[2] Gross official holdings of gold and foreign exchange assets.

TABLE 15. OFFICIAL GOLD AND FOREIGN EXCHANGE RESERVES, 1957-60

(In billions of U.S. dollars)

	1957	1958	1959	1960
Countries' reserves at end of year				
United States[1]	22.86	20.58	19.51	17.80
Germany, Federal Republic of[2]	5.12	5.70	4.53	6.74
United Kingdom	2.37	3.10	2.75	3.24
Italy	1.35	2.08	2.95	3.08
Other exporters of industrial products	6.59	8.58	9.34	11.10
Exporters of primary products	17.47	16.66	17.36	17.19
Total official reserves	55.76	56.70	56.44	59.15
Composition of countries' reserves at end of year				
Gold[3]	37.36	38.08	37.87	38.05
Dollars held in United States	8.18	8.43	9.38	10.52
Sterling held in United Kingdom[4]	6.68	6.39	6.77	6.95
Credit balances in EPU	1.27	1.37	—	—
Currency deposits with BIS	0.27	0.50	0.38	0.48
Other, including net errors and omissions	2.00	1.93	2.04	3.15
	55.76	56.70	56.44	59.15
Source of changes in gold reserves during year				
Production		1.05	1.12	1.18
Soviet sales		0.21	0.26	0.20
Total available		1.26	1.38	1.38
Consumption in industry and arts and private hoarding[5]		−0.59	−0.69	−1.04
Total additions to gold reserves[6]		0.67	0.69	0.34
Gold transactions with IMF				
Subscriptions		−0.06	−1.20	−0.19
Purchases by United States		—	0.30	0.30
Repayments, etc.		−0.09	−0.17	−0.14
Gold transactions with BIS and EPU/EF		0.19	0.18	−0.13
Additions to gold reserves of countries		0.71	−0.20	0.18
Source of changes in countries' foreign exchange reserves during year				
Settlements between countries				
Dollar transfers by United States to foreign reserves		0.27	1.25	1.59
Sterling transfers by United Kingdom to foreign reserves		−0.29	0.36	0.11
Other, including net errors and omissions[7]		0.08	−0.02	1.17
Total		0.06	1.59	2.87
Transactions with international institutions				
With EPU				
Credit balances		0.10	−0.11	—
Final liquidation		—	−1.27	—
With IMF				
Drawings		0.34	0.18	0.28
Repurchases		−0.27	−0.44	−0.62
Total		0.17	−1.64	−0.34
Additions to foreign exchange reserves of countries		0.23	−0.05	2.53
Total additions to gold and foreign exchange reserves of countries		0.94	−0.25	2.71
Of which transactions with IMF		*−0.08*	*−1.34*	*−0.37*

Sources: International Monetary Fund, *International Financial Statistics,* and Fund staff estimates.

[1] Gold reserves.

[2] Gold, freely usable assets, and EPU credit balance.

[3] Including gold deposits with the BIS.

[4] Excluding German advance deposits for debt repayment and defense imports.

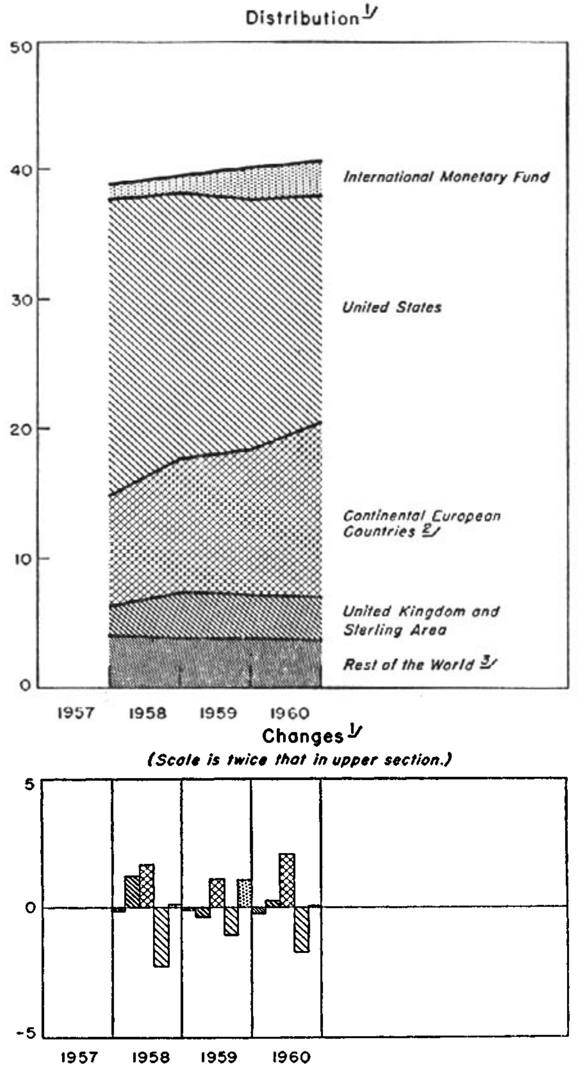
[5] Calculated as a residual; the entries thus include net errors and omissions.

[6] Additions to gold reserves of countries and international institutions.

[7] Including the net creation (liquidation —) of assets denominated in U.S. dollars that do not represent direct claims on U.S. institutions (e.g., the so-called Euro-dollars); similar assets denominated in sterling that do not represent direct claims on U.K. institutions; other financial assets (other than EPU credit balances) held as reserves; and net errors and omissions.

CHART 3. ESTIMATED OFFICIAL GOLD RESERVES, 1957-60

(In billions of U.S. dollars)



[1] Distribution data are at end of year; changes are between year-end data.
[2] Including Bank for International Settlements and European Payments Union/European Fund.
[3] Excluding U.S.S.R. and associated countries.

types of reserves. Countries exporting mainly primary products keep a much smaller percentage of their reserves in the form of gold, and their official stocks showed little change in 1960.

The foreign exchange reserves of national monetary authorities increased by over 13 per cent in 1960—by far the largest rise in any postwar year. Apart from its size, this increase was remarkable in that some 45 per cent of the net new claims that were created took an untraditional form, i.e., they represented in large part dollar or sterling deposits held in commercial banks other than those in the United States or the United Kingdom, respectively.

TABLE 16. CHANGES IN OFFICIAL GOLD HOLDINGS, 1958-60[1]

(In millions of U.S. dollars)

	1958	1959	1960
International monetary institutions			
International Monetary Fund	152	1,075	32
European Payments Union/European Fund	−128	−86	15
Bank for International Settlements[2]	−66	−92	115
Countries[2]			
United States			
Transactions with International Monetary Fund	—	−44[3]	300
Other transactions	−2,275	−1,031	−2,002
United Kingdom	1,250	−350	300
France	169	540	351
Germany, Federal Republic of	97	−2	334
Italy	634	663	454
Other European industrial exporters	954	27	586
All other countries	−117	−5	−145
World official gold holdings	670	695	340

Source: Based on data from International Monetary Fund, *International Financial Statistics.*

[1] Excluding gold holdings of the U.S.S.R. and countries associated with it. No sign indicates an increase; minus sign indicates a decrease.

[2] For the BIS, the figures cover changes in holdings net of deposits. For most countries, the figures include deposits (if any) with the BIS.

[3] Gold purchases ($300 million) less gold subscription payment ($344 million).

While total international settlements by the United States resulting in gold outflows and the creation of liquid liabilities to official and banking institutions increased from $3.1 billion in 1958 to $3.4 billion in 1959 and to $3.7 billion in 1960, the amount of direct dollar claims transferred to foreign countries' official reserves rose much more—from $0.3 billion in 1958 to $1.2 billion in 1959 and $1.6 billion in 1960. As Table 17 shows, the principal reasons underlying the more rapid growth of such dollar transfers were the smaller proportions of settlements in gold after 1958, and the small increase in liabilities to foreign commercial banks in 1960, following an exceptionally large increase in 1959.

The increase of more than $1.0 billion in 1960 in official foreign exchange reserves held in forms other than direct dollar claims on the United States, direct sterling claims on the United Kingdom, and currency deposits with the Bank for International Settlements is unprecedented in the postwar period. Since the figures for these assets are derived indirectly, they must be regarded with some reservations as to their accuracy. Nevertheless, there is strong evidence, both qualitative and quantitative, that an increase of this magnitude actually did occur. This new type of asset does not, for the most part, appear to have taken the form of increased holdings of convertible currencies other than the dollar and the pound sterling. Instead, it seems to have represented the so-called "Euro-dollar" and "Euro-sterling" deposits, i.e., deposits denominated in those currencies with commercial banks, mainly those in the financial centers of Europe. The monetary authorities were able to obtain a return on such deposits that was higher than the

TABLE 17. UNITED STATES: SETTLEMENT OF BALANCE OF PAYMENTS DEFICIT, 1958-60

(In billions of U.S. dollars)

	1958	1959	1960
Total U.S. deficit[1]	3.08	3.42[2]	3.68
Less Portion settled in gold	−2.28	−0.73[2]	−1.70
Increase in liquid liabilities to banks	−0.05	−1.14	−0.11
Increase in liquid liabilities to institutions[3]	0.75	1.55[2]	1.87
Less Dollars sold to IMF for gold	—	−0.30	−0.30
Dollars held by BIS, EPU/EF, and other[4]	−0.48	—	0.02
Dollars transferred to countries' official reserves	0.27	1.25	1.59
Less Net dollar repayments to IMF	−0.02	−0.30	−0.45
Increase in countries' official dollar reserves	0.25	0.95	1.14

Sources: U.S. Department of Commerce, *Survey of Current Business*, and Fund staff estimates.

[1] As measured by the outflow of gold and the increase in liquid liabilities to foreign official monetary institutions and banks.

[2] Excluding the additional subscription to the IMF.

[3] Official monetary institutions.

[4] Liabilities to "other" included in this item are foreign government claims on the United States that are not counted by their holders as reserve assets, e.g., prepayments for defense imports and advance debt repayment.

return they could obtain by keeping their dollar assets in the form of U.S. Treasury securities or deposits with U.S. banks (or their sterling assets in similar forms in the United Kingdom). The commercial banks in turn re-lent the funds to customers who needed dollars or sterling to make payments, at interest rates lower than the going rates for similar borrowings in the United States and the United Kingdom.

When trends in world reserves are reviewed, countries' drawing rights in the International Monetary Fund, which are increasingly coming to be regarded as part of members' reserves, must also be considered. The Fund's holdings of gold and currencies that are convertible within the meaning of the Fund Agreement amounted on April 30, 1961 to just under $9.8 billion. These holdings consisted of approximately $3.3 billion in gold and gold investments, $2.6 billion in U.S. dollars, $1.4 billion in sterling, and $2.5 billion in other currencies, mostly those of countries in Western Europe, which are widely used in making international payments. When a broader view is taken of the Fund's role in supporting international liquidity, it would seem reasonable for each country to regard the unused portion of its drawing rights as part of the foreign exchange resources which it may utilize. Under the Fund's Articles of Agreement, countries are entitled, when certain conditions are fulfilled, to purchase foreign exchange equivalent to their gold subscriptions plus 100 per cent of their quotas in the Fund. On the assumption that all members were eligible to purchase the full amounts, drawing rights in the Fund amounted, at year-ends, to the equivalent of $10.7 billion in 1957, $11.0 billion in 1958, $17.0 billion in 1959, and $18.1 billion in 1960. Drawing rights calculated in this way were thus almost as large at the end of 1960 as the total of all foreign exchange reserves held by national monetary authorities.

Chapter 7

Exchange Practices and Payments Arrangements

General Developments

Convertibility

IN the past year, further steps have been taken toward the goal of a multilateral world payments system free from exchange restrictions, which is envisaged in the Fund Agreement. Also, and equally important, moves made in this direction in previous years have been consolidated and strengthened. These culminated, early in 1961, as noted in Chapter 2, in the formal acceptance of the obligations of Article VIII by 11 further countries. The currencies of all these countries had in fact been externally convertible for some time prior to their taking this step; the European countries had established *de facto* external convertibility at the end of 1958.[1] Practically all of the currencies used to finance international trade and payments are now convertible under Article VIII of the Fund Agreement.

Among member countries which have not yet accepted the obligations of Article VIII, there are an increasing number whose currencies are *de facto* externally convertible. Two countries, Japan and Thailand, joined this group during the period under review, bringing to two thirds the proportion of all Fund members that now maintain external convertibility, formally or *de facto*.

[1] See *Annual Report*, 1959, page 125.

Par Values and Exchange Rates

During the year the Fund agreed initial par values with two member countries, Greece and Uruguay. Turkey altered its par value to make it coincide with the effective exchange rate. Early in March 1961 the par value of the deutsche mark was appreciated by 5 per cent, and this was followed by a similar appreciation of the Netherlands guilder.

Initial par values have now been agreed between the Fund and all but 10 of its members. However, in a considerable number of other member countries, some or all transactions continue to take place at rates which differ from the par values agreed with the Fund by more than the permitted margins. For certain countries in this category the par values which they agreed with the Fund are no longer effective; they employ either multiple exchange rates or unitary fluctuating rates. For many of these countries, as well as for some of those which have not yet agreed a par value, the point of time at which they will declare a realistic par value depends principally upon the progress made in dealing with a complex of problems. For some countries it involves unifying a number of exchange rates; for others, stabilizing a fluctuating exchange rate; and, for still others, establishing effective machinery to maintain an agreed par value.

The elimination of the remaining multiple currency practices proceeded somewhat more slowly during the year under review than in the preceding year. However, only 11 member countries continue to have multiple exchange rate systems that might be called complex.

During the year, Yugoslavia greatly simplified its complex exchange system and Korea took significant steps in this direction. Peru and Turkey completed exchange reforms that had been put into effect earlier by eliminating the last of their multiple currency practices. In several other countries employing multiple exchange rates, modifications were introduced to adjust the exchange systems to internal and external developments; in some, substantial progress was made in reducing reliance on multiple rates. The Fund has remained in close contact with all the governments concerned, and has continued to press toward the ultimate unification of all multiple exchange rates whenever feasible.

In arguing the advantages of such action, the Fund has been able to point to the generally favorable experience of several members that have eliminated complex multiple exchange rate systems in the recent past. In general, these countries have found that their economies are better able than previously to deal with both domestic and balance of payments problems. In some countries, this improvement occurred despite lower prices for major export products upon which they largely depend for foreign exchange. In several of the countries which adopted freely fluctuating exchange rates when they abolished their multiple exchange systems, these rates remained virtually unchanged for long periods. For some, moreover, the initial, sometimes difficult, period of adjustment to the new conditions that inevitably follows a major economic reform has been succeeded by a period of renewed progress, accompanied at the same time by monetary and exchange rate stability and an increasingly satisfactory reserve position.

Payments Restrictions

A consequence of the successful maintenance and increase of convertibility during the year under review has been the continued decline in trade and payments restrictions, with exceptions in only a few countries. Reductions in import restrictions have been fairly widespread. Furthermore, discrimination against imports from Canada and the United States has been removed in several countries, and substantially decreased in others. Regulations governing payments for invisibles have been further liberalized in some countries.

The steady and continuous decline in the number of bilateral payments arrangements, observed in recent years, has been carried still further. By the end of April 1961, Fund members had reduced the total number of such arrangements to about 240, from some 270 a year earlier. Of those remaining, approximately 170 are with countries that are not Fund members. About 25 agreements between Fund members were allowed to lapse during the year.

Efforts were also made in some countries to make the arrangements more flexible and thus to soften their strictly bilateral aspect.

Forty-eight member countries still maintain one or more bilateral payments arrangements; however, for most of them, only a small part of their total trade and payments is covered. It is difficult to indicate the quantitative importance of bilateralism for particular countries, in part because the arrangements do not always cover the entire range of transactions between partner countries, but also in part because the data available are inadequate. In approximate terms, some 17 member countries conduct 10 per cent or more of their total trade with countries with which they maintain bilateral payments arrangements. For some half a dozen countries the percentage exceeds 25. In many of these cases, however, most of the trade under bilateral payments arrangements is carried on with nonmember countries—chiefly countries where trade transactions are centralized through the state.

The Fund has continued to press for the ending of bilateral payments arrangements, particularly those between member countries. A decision taken by the Executive Board in 1955, urging the elimination of bilateralism, said, in part, ". . . 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."[1] Early in 1961, the Fund's resources were used directly for the first time to assist in the termination of a bilateral payments arrangement, that between Argentina and Chile. A major obstacle to multilateralization of payments between the two countries had been the existence of a large balance on the bilateral account in favor of Argentina. Chile therefore drew from the Fund Argentine pesos to make a partial settlement of its outstanding debt; the bilateral payments arrangement was then terminated. As pointed out earlier in this Report, this was also the first time that a Latin American currency had been drawn from the Fund.

[1] *Annual Report,* 1955, page 124.

Regional Economic Associations

Organization for Economic Cooperation and Development

A Convention establishing the Organization for Economic Cooperation and Development (OECD), to replace the Organization for European Economic Cooperation (OEEC), was signed in Paris on December 14, 1960 by representatives of the present member countries of the OEEC and by Canada and the United States. The new organization will begin to operate on September 30, 1961, if by that date 15 or more signatories have deposited instruments of ratification; or earlier, if all signatories ratify before that date.

The aims of the OECD as set forth in Article 1 of the Convention are (1) to achieve the highest sustainable growth and employment and a rising standard of living in member countries, while maintaining financial stability, and thus to contribute to the development of the world economy; (2) to contribute to sound economic expansion in member countries, as well as in nonmember countries in the process of economic development; and (3) to contribute to the expansion of world trade on a multilateral, nondiscriminatory basis in accordance with international obligations.

The main representative body of the OECD in matters of economic policy is to be its Economic Policy Committee, composed of senior government officials with major responsibilities in the formulation of the economic policies of their countries. The Committee will review the economic and financial situation in member countries, with a view to implementing the objectives of the Convention.

The OECD will also establish a Development Assistance Committee, incorporating the interim Development Assistance Group (DAG) set up by the OEEC in January 1960 to coordinate the efforts of the industrialized countries in the western world to assist less developed countries in their economic development.

The OECD will be, as the OEEC has been, a forum for discussion of payments problems, and the Committee for Invisible

Transactions will be continued. The OECD will continue the activities of the OEEC in many other fields of a more technical character.

European Monetary Agreement

The multilateral payments system of the European Monetary Agreement (EMA), which came into operation at the end of 1958, again enabled settlements between its European member countries to be made smoothly through the exchange markets. The use of the short-term credit facilities provided by the Agreement continued to be small.

The European Fund, established under the EMA at the end of 1958, granted a new $50 million credit to Turkey in December 1960 in connection with the stabilization program of that country. In June 1960, Iceland drew a further $2 million of the $12 million credit granted in February 1960.

European Economic Community

The European Economic Community (EEC) put into effect, from July 1, 1960, a second reduction of 10 per cent in the internal (i.e., intra-Community) customs duties. The Council of Ministers decided that member countries were free to extend this reduction to third countries, provided that the new rate was not lower than the agreed future common external tariff.

From January 1, 1961, the internal tariffs on industrial goods were reduced by a further 10 per cent, and those on nonliberalized agricultural goods by a further 5 per cent. All quota restrictions on intra-Community imports of industrial products are to be abolished by the end of 1961, eight years in advance of the date laid down by the Treaty of Rome. The existing global quotas on agricultural products will continue to be increased by 20 per cent each year, as scheduled in the Treaty.

The external tariffs of EEC countries (i.e., the customs duties applied to imports from third countries) went through their first phase of downward or upward adjustment to the agreed future common external tariff of the Common Market on January 1, 1961, instead of on January 1, 1962 as scheduled.

On March 30, 1961, representatives of Greece and of the EEC signed a draft agreement on Greece's association with the Community, with a view to full membership in due time. The agreement provides for the establishment of a customs union between the EEC and Greece over a period (12 years for most commodities), for the gradual harmonization of economic policies, and for financial assistance to Greece for economic development.

European Free Trade Association

On July 1, 1960, the seven member countries of the European Free Trade Association (EFTA) put into effect a first 20 per cent reduction in customs duties on industrial goods imported from each other. On the same date, internal import quotas on most industrial products were raised by at least 20 per cent, and these increases were extended to other countries in accordance with the principles of the GATT. The internal tariffs were reduced by another 10 per cent on July 1, 1961.

An agreement of association between Finland and the EFTA, which was concluded on March 27, 1961, provides for the creation of a separate free trade association between the seven members of the EFTA, on the one hand, and Finland, on the other. While allowing Finland to participate in the successive tariff reductions and the abolition of other trade barriers of its main trading partners, this arrangement allows for the fact that a substantial part of the country's trade in solid and liquid fuels and fertilizers is regulated by bilateral agreements and cannot be subjected to the rules of the EFTA Convention.

Latin American Free Trade Association

The Treaty of Montevideo,[1] signed in February 1960 by Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay,

[1] See *Annual Report,* 1960, page 138.

has now been ratified by all the signatory countries. The Treaty, to which other Latin American countries may adhere, establishes the Latin American Free Trade Association and Free Trade Area. A provisional Secretariat has been set up in Montevideo, and tariff negotiations are due to begin in August 1961.

Central American Common Market

In December 1960, El Salvador, Guatemala, Honduras, and Nicaragua signed a General Treaty of Central American Integration. These four countries, and Costa Rica, had signed in 1958 the Multilateral Treaty of Central American Free Trade and Economic Integration, which provided for the initial freeing from tariffs and restrictions of a limited list of goods and envisaged the attainment of a customs union within ten years. The General Treaty enlarges the provisions of the 1958 Treaty and of two earlier agreements—the Convention for the System of Central American Integrated Industries and the Convention for the Equalization of Import Duties—and creates more specific means of implementing them. The contracting countries will grant one another immediate free trade for natural and manufactured products originating in their territories, except for specified items. Within five years, all tariffs and restrictions between these countries will be eliminated and a common market established. The General Treaty takes precedence over all previous treaties and agreements among the Central American Governments, but does not affect their validity.

Two other agreements were signed in December 1960: a Protocol to the Central American Convention for the Equalization of Import Duties, to accelerate the establishment of uniform duties on imports from countries outside Central America; and an agreement to create a Central American Bank for Economic Integration, to serve as an instrument for financing and promoting regional economic integration.

Chapter 8

Gold

Gold Production

WORLD production of gold, excluding output in the U.S.S.R. and countries associated with it, increased in 1960 to a new postwar peak for the seventh consecutive year (Chart 4). The increase, of about 1.5 million fine ounces, brought output to 33.5 million ounces. The value, at US$35 per fine ounce, was $1,175 million, compared with $1,125 million in 1959 and $1,049 million in 1958. Production in 1960 was about 60 per cent more than the lowest postwar total, in 1945, but about 7 per cent (2.5 million ounces) less than the all-time peak of about 36.1 million ounces, valued at $1,264 million, attained in 1940.

In most gold producing countries output declined drastically during World War II, and only in South Africa and Ghana has the output attained in 1940 been achieved again. High and increasing production costs continue to be of major concern to the industry. Where possible, mines have shifted from the production of lower grade to higher grade ore; some mines are unable to do this and have had difficulty in maintaining a reasonable margin of profit.

In South Africa, however, the working costs per ton milled did not rise much during the past few years, and the year 1960 was the most profitable in the history of the industry. Output expanded in 1960 by 1.3 million ounces ($46.3 million), to about 21.4 million ounces ($748.4 million), the highest figure ever recorded in the Union and equal to almost 64 per cent of world production. Production in the Transvaal has been well maintained, but the largest rate of increase continues to be recorded by the new mines in the Orange Free State, where the grade of ore is higher than elsewhere. These mines first produced appreciable quantities in 1956; as a result of the expansion of production there and in the West Witwatersrand, the average grade of ore per ton milled in the Union has since risen from 4.553 dwt., to 5.865 dwt. in 1960.

For the first time since 1957 there was a net decrease in the total native labor strength, from 355,000 at the end of 1959 to 354,000 at the end of 1960. The number of tons of ore milled in the Union was, however, about 1 per cent more than in 1959. As the average working costs per ounce of ore recovered declined by 4s. 5d., to 158s. 0d. in 1960, the average working profit from gold per ton milled rose from 24s. 7d. in 1959 to 27s. 8d. in 1960. (It had been 14s. 4d. in 1956.) The combined working profits from gold, uranium, and other products, £127.3 million, were 11 per cent greater than in 1959. However, of the 55 producers that are members of the Transvaal and Orange Free State Chamber of Mines, the working costs of 31 were higher, and the profits of 28 were smaller, than in 1959.

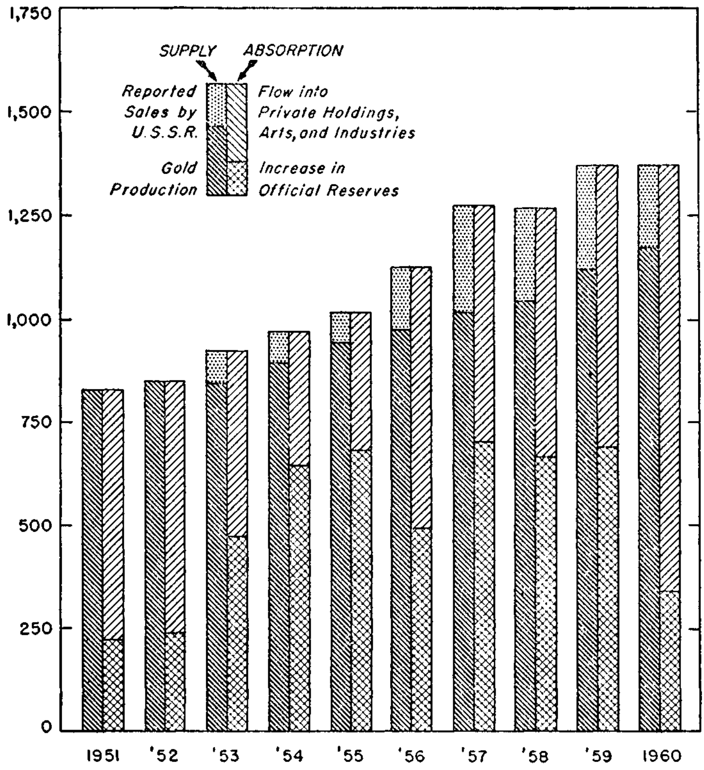
The increased profitability of South African gold mining and the high dividend yields on gold shares have followed, and in turn encouraged, new investment in the industry in recent years. But political unrest during 1960 caused a substantial outflow of capital. The South African gold shares index, after attaining a peak of 94.8 in June 1959, dropped to 62.6 in August 1960; it rose again during the London bullion market boom in October-November, but declined to 63.5 toward the end of March 1961.

In Canada, the second largest gold producing country outside the U.S.S.R. and the countries associated with it, the value of total output increased in 1960 by $4.2 million, to $161.1 million. This was a new postwar peak, but was substantially below the maximum of $187.7 million attained in 1941. In the United States, the third largest producer, the value amounted to about $57 million, the same as in 1959. This figure compares with a postwar peak of $80.1 million in 1950 and a maximum of $170 million in 1940. An increase of $1.3 million was recorded in Colombia.

The gold subsidy programs of the Governments of Australia, Canada, Colombia, and Fiji, discussed in previous Annual Reports, were still in operation during the past fiscal year of the Fund. In June 1960, Canada consulted the Fund with regard to extending the application of its Emergency Gold Mining Assistance Act to

CHART 4. ESTIMATED SUPPLY AND ABSORPTION OF GOLD, 1951-60

(In millions of U.S. dollars)



the years 1961, 1962, and 1963. It sought also to make certain changes in the administration of the Act, so as to ensure the fulfillment of the Government's policy of making subsidy payments only on gold bullion sold to the Royal Canadian Mint. This amendment involves no change in the basic formula of the subsidy or in the rate of assistance.[1] The Fund deemed these changes to be consistent with the objectives of the Fund's statement of December 11, 1947 on gold subsidies. Fund members considering the introduction of subsidy schemes to prevent the reduction of output of gold, as well as those desiring to amend existing programs, have an obligation to consult with the Fund on the measures to be introduced.

Gold Holdings

The stock of gold held by the monetary authorities in the world is estimated to have increased during 1960 by about $340 million, compared with increases of about $695 million in 1959, $670 million in 1958, $705 million in 1957, and $220 million, the smallest increase in the postwar period, in 1951. These figures exclude the holdings of the U.S.S.R. and the countries associated with it, but include those of the International Monetary Fund, the Bank for International Settlements, and the European Fund, established under the European Monetary Agreement. At the end of 1960, world monetary gold reserves, thus defined, amounted to approximately $40.5 billion. The important shifts in the distribution of these reserves which took place in 1960 are discussed in Chapter 6.

Russian sales of gold in Western Europe during 1960 have been estimated at $200 million. Since the value of last year's gold output outside the U.S.S.R. was $1,175 million, the total increase in the amount of gold available to the rest of the world may be estimated as being of the order of $1,375 million. A comparison of these supplies with the estimated aggregate increase of about $340 million in official gold holdings suggests that in 1960 the equivalent of about $1 billion was absorbed by private holders and the arts and industries, about $350 million more than in 1959 (Chart 4). In the last quarter of 1960, when private purchases of gold were of a magnitude around $450-475 million, there was an actual decline

[1] See *Annual Report,* 1959, pages 149-50.

in official gold reserves, for the first time in any quarter since 1951. These private purchases are also discussed below in connection with the London gold market.

The diversion of gold to private holders is of great concern to the monetary authorities of the world. Even with the improvements that have taken place in the reserve strength of many countries, it is still in the best interest of Fund members that, as far as possible, gold should be channeled into official reserves rather than into private hoards. Only as gold is held in official reserves can it be used by monetary authorities to maintain stability of exchange rates and to meet balance of payments needs.

Gold Markets and Prices

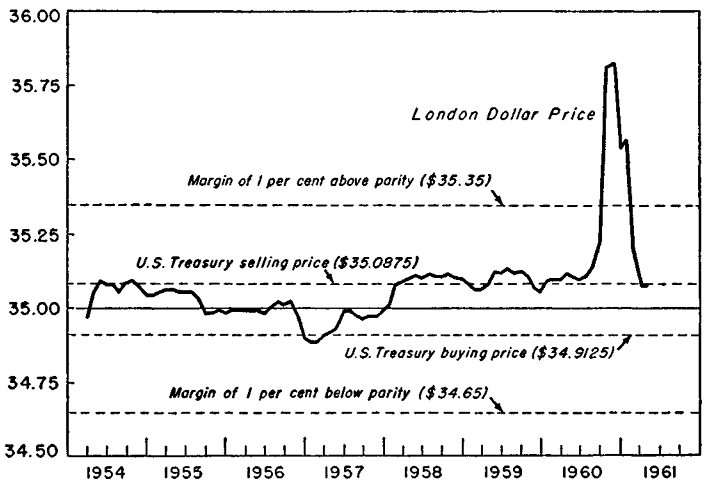
The London Market

The economic and financial recovery of continental European countries and the adoption of external convertibility for sterling by the United Kingdom at the end of 1958 have contributed to the expansion of the bullion business of the London market. The main supplier of that market has been the Bank of England, as agent in the sale of about three fourths of South African production. During 1960 the United Kingdom imported gold worth $928.1 million, of which $106.5 million came from the U.S.S.R., $598.9 million from the Union of South Africa, and most of the remainder from other gold producing countries in the sterling area and from Canada. Exports from the United Kingdom amounted to $736.6 million, leaving a net increase of $191.5 million in the gold stocks physically located in London. These figures, however, give no indication of the turnover in the London market. That market is open to private interests, but, except for licensed domestic users, only residents of non-sterling countries may buy gold there.

During the financial year ended April 30, 1961, the price of gold in London reached the highest level since the reopening of the market in March 1954 (Chart 5). The average monthly dollar price remained above the U.S. selling price of $35.0875 per fine ounce for the entire period May 1960 through February 1961. The dollar price (converted at the sterling-dollar rate at the time of daily "fixing") increased from $35.0875 per fine ounce on May 27, 1960 (the minimum for the month) to $35.3818 on October 19, 1960. Once the margin of 1 per cent above parity prescribed by the Fund had been exceeded, the central banks of Fund members were precluded from buying gold in London. This

CHART 5. PRICE OF GOLD IN LONDON MARKET, MONTHLY AVERAGES, MARCH 1954–APRIL 1961

(In U.S. dollars per fine ounce)



position prevailed through February 1961. On October 20, 1960, the price at "fixing" was equivalent to $36.5495, but eager bidding for small supplies pushed the price up to about $40 during the day; at closing, it was about $38. On October 25, the price at "fixing" was $37.9863, the highest price at "fixing" since the reopening of the London market. By the end of the month, it had declined to $36.0281. The downward trend continued, and on February 23, 1961 the price was $35.0720—below the U.S. selling price for the first time since June 1960. The minimum for the financial year was $35.0603 on March 23, 1961. At the end of April 1961, the price was equivalent to $35.0794.

During October 1960, the private demand for gold was active from all centers, and the flow of gold into the hands of hoarders and speculators far exceeded production during that period. The demand coincided with an unusually large outflow of short-term capital from the United States. It has been attributed to various factors, including the belief that the price of gold would be increased. A further influence was exerted by measures taken in Germany and Switzerland to restrict the inflow of foreign funds and speculative dealings. Several developments acted to reduce this abnormal demand for gold. The U.S. Treasury publicly indicated its general approval of intervention by the United Kingdom in the gold market. A U.S. Executive Order dated January 14, 1961 prohibited the purchase and holding of gold outside the United States by U.S. private citizens and U.S.-owned corporations, and required U.S. residents to sell their present holdings of gold or securities representing gold on deposit by June 1, 1961. The President, in a Message to Congress on February 6, 1961, firmly declared that the U.S. dollar would not be devalued and outlined the measures which would be taken to improve the balance of payments position. At the same time, as was indicated in Chapter 6, the basic balance of payments position of the United States continued to strengthen.

Other Developments

The prices at which bar gold is traded directly for U.S. dollars in other markets deviated by only a few cents from the London dollar price during the year under review (Table 18). In markets where gold is traded in local currencies, the day-to-day movements of the U.S. dollar equivalent prices often diverge from the movements of London prices because of exchange rate fluctuations and the special characteristics of each market. In general, however, prices in these markets followed the same pattern as those in the

TABLE 18. PRICES OF GOLD IN VARIOUS WORLD MARKETS, YEAR ENDED APRIL 1961

(In U.S. dollars a fine ounce, at day's dollar rate)

	Bar Gold				Sovereign				Napoleon			
	End of April 1960	Low of Year	High of Year	End of April 1961	End of April 1960	Low of Year	High of Year	End of April 1961	End of April 1960	Low of Year	High of Year	End of April 1961
Beirut	35.20	35.20	38.05	35.28	38.93	38.86	42.05	40.60	38.61	38.46	42.17	41.37
Bombay[1]	75.88	69.97	81.26	79.10	—	—	—	—	—	—	—	—
Brussels	35.10	34.61	37.55	35.16	38.67	38.13	41.61	39.68	—	—	—	—
Hong Kong	38.56	38.47	42.46	39.75	—	—	—	—	—	—	—	—
Milan	35.48	35.28	37.59	35.48	39.01	38.05	42.27	40.04	37.98	37.33	44.45	41.22
Paris	35.56	35.34	39.04	35.72	38.39	38.31	43.34	40.21	38.89	37.10	43.95	41.05
Zürich[2]	35.13	35.07	39.25	35.08	—	—	—	—	—	—	—	—

[1] Prices on internal domestic market, converted at par value; imports and exports are prohibited.
[2] Direct quotation in U.S. dollars.

London market, tending to move upward when the price of gold in London rose and down when it declined. In the markets for gold coins, the prices of the sovereign and the napoleon showed a general increase that began in the early part of the fiscal year, reversing the downward trend of the three previous years.

During the past year, several countries took measures to relax restrictions on the sale of gold and on the movement of gold through their territories. In *Israel,* trade in gold was liberalized by an Order of the Controller of Foreign Exchange. Under the new regulations, effective in November 1960, Israeli residents are permitted to deposit their gold holdings with authorized foreign exchange dealers against certificates which can be sold to other persons. (Previously, purchases and sales of gold were limited to authorized dealers in foreign exchange. Other individuals could hold gold but were not permitted to transfer ownership or possession.) Persons who deposit gold with a foreign exchange dealer may also export such gold through the authorized dealer against foreign currency; the proceeds are credited to a foreign exchange account. Israeli residents are also entitled to import gold against payment from a foreign exchange account. Persons who are not owners of foreign exchange accounts may acquire such accounts by purchasing and reselling foreign securities.

In *Sweden,* the Sveriges Riksbank removed, in August 1960, some restrictions on the purchasing of gold by the general public. The public may now buy from goldsmiths gold objects without upper limits of weight or purity, and imports and exports of gold objects are virtually free of restrictions. However, exports and imports of gold in bars, plates, and tubes are still subject to control, and domestic sales of gold in bars or other raw or semifinished forms are not permitted.

In the *Netherlands,* the Twentsche Bank announced in November 1960 that it had ordered 3,605 gold ducats to be made at the state mint, to be offered for sale at f. 27.50 each. Each ducat contains about 3.494 grams of gold. This was the first time since 1937 that the bank had offered gold coins for sale.

In *Hong Kong,* the board of directors of the gold and silver exchange in October 1960 raised the margin requirements for trading in gold and U.S. dollars. The margin for each tael of gold was raised from HK$12.50 to HK$20.50, and for each unit of US$1,000 the margin was raised from HK$200 to HK$400.

In the *Union of South Africa,* sales of 400-ounce gold bars to overseas buyers under the scheme introduced by the South African Reserve Bank in April 1959 [1] totaled $192.5 million in 1960. In the same year, sales of kilogram gold bars to approved buyers outside the sterling area, under a scheme initiated in June 1959 by the Transvaal and Orange Free State Chamber of Mines,[2] amounted to $12.1 million. The minimum price realized for these transactions was 249s. 6½d. a fine ounce, and the maximum price was 259s. 0½d. The total amount of these sales represents about 27 per cent of South Africa's production in 1960.

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[1] See *Annual Report,* 1959, page 157.
[2] See *Annual Report,* 1960, page 151.

APPENDICES

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Appendix I. Executive Board Decisions

A. Decision on Transition from Article XIV to Article VIII

There has been in recent years a substantial improvement in the balance of payments and the reserve positions of a number of Fund members which has led to important and widespread moves to the external convertibility of many currencies. Most international transactions are now carried on with convertible currencies, and many countries have progressed far with the removal of restrictions on payments. In consequence of these developments, it seems likely that a number of members of the Fund either have reached or are nearing a position in which they can consider the feasibility of formally accepting the obligations of Article VIII, Sections 2, 3, and 4. Previous decisions taken by the Fund, such as those on multiple currency practices, bilateral arrangements, discriminatory restrictions maintained for balance of payments purposes, and payments restrictions for security reasons, indicate the Fund's attitude on these matters. The present decision has been adopted as an additional guide to members in pursuance of the purposes of the Fund as set forth in Article I of the Articles of Agreement.

1. Article VIII provides in Sections 2 and 3 that members shall not impose or engage in certain measures, namely restrictions on the making of payments and transfers for current international transactions, discriminatory currency arrangements, or multiple currency practices, without the approval of the Fund. The guiding principle in ascertaining whether a measure is a restriction on payments and transfers for current international transactions under Article VIII, Section 2, is whether it involves a direct governmental limitation on the availability or use of exchange as such. Members in doubt as to whether any of their measures do or do not fall under Article VIII may wish to consult the Fund thereon.

2. In accordance with Article XIV, Section 3, members may at any time notify the Fund that they accept the obligations of Article VIII, Sections 2, 3, and 4, and no longer avail themselves of the transitional provisions of Article XIV. Before members give notice that they are accepting the obligations of Article VIII, Sections 2, 3, and 4, it would be desirable that, as far as possible, they eliminate

measures which would require the approval of the Fund, and that they satisfy themselves that they are not likely to need recourse to such measures in the foreseeable future. If members, for balance of payments reasons, propose to maintain or introduce measures which require approval under Article VIII, the Fund will grant approval only where it is satisfied that the measures are necessary and that their use will be temporary while the member is seeking to eliminate the need for them. As regards measures requiring approval under Article VIII and maintained or introduced for nonbalance of payments reasons, the Fund believes that the use of exchange systems for nonbalance of payments reasons should be avoided to the greatest possible extent, and is prepared to consider with members the ways and means of achieving the elimination of such measures as soon as possible. Members having measures needing approval under Article VIII should find it useful to consult with the Fund before accepting the obligations of Article VIII, Sections 2, 3, and 4.

3. If members at any time maintain measures which are subject to Sections 2 and 3 of Article VIII, they shall consult with the Fund with respect to the further maintenance of such measures. Consultations with the Fund under Article VIII are not otherwise required or mandatory. However, the Fund is able to provide technical facilities and advice, and to this end, or as a means of exchanging views on monetary and financial developments, there is great merit in periodic discussions between the Fund and its members even though no questions arise involving action under Article VIII. Such discussions would be planned between the Fund and the member, including agreement on place and timing, and would ordinarily take place at intervals of about one year.

4. Fund members which are contracting parties to the GATT and which impose import restrictions for balance of payments reasons will facilitate the work of the Fund by continuing to send information concerning such restrictions to the Fund. This will enable the Fund and the member to join in an examination of the balance of payments situation in order to assist the Fund in its collaboration with the GATT. The Fund, by agreement with mem-

bers which are not contracting parties to the GATT and which impose import restrictions for balance of payments reasons, will seek to obtain information relating to such restrictions.

Executive Board Decision No. 1034-(60/27)

June 1, 1960

B. Decision on Fund's Investment Program

The amount of $200 million in paragraph III of Executive Board Decision No. 488-(56/5),[1] which was subsequently increased to $500 million by Executive Board Decision No. 905-(59/32),[2] shall be increased to $800 million for all of the purposes of those decisions and Executive Board Decision No. 708-(57/57).[3]

Executive Board Decision No. 1107-(60/50)

November 30, 1960

[1] *Annual Report,* 1956, pages 147-48.
[2] *Annual Report,* 1960, page 178.
[3] *Annual Report,* 1958, pages 155-56.

Appendix II. Members, Quotas, Governors, and Voting Power as of April 30, 1961

	Quota			Votes	
Member	Amount (000,000's)	Per Cent of Total	Governor *Alternate*	Number[1]	Per Cent of Total
Afghanistan	$ 22.50	0.15	Abdullah Malikyar *Habibullah Mali Achekzai*	475	0.29
Argentina	280.00	1.89	Alvaro Alsogaray *Eustaquio Méndez Delfino*	3,050	1.84
Australia	400.00	2.69	Harold Holt *Howard Beale*	4,250	2.56
Austria	75.00	0.51	Reinhard Kamitz *Franz Stoeger-Marenpach*	1,000	0.60
Belgium	337.50	2.27	Hubert Ansiaux *Maurice Williot*	3,625	2.18
Bolivia	22.50	0.15	Augusto Cuadros Sánchez *Franklin Antezana Paz*	475	0.29
Brazil	280.00	1.89	Clemente Mariani Bittencourt *Octavio Gouvea de Bulhoes*	3,050	1.84
Burma	30.00	0.20	Kyaw Nyein *San Lin*	550	0.33
Canada	550.00	3.70	Donald Methuen Fleming *James Elliott Coyne*	5,750	3.46
Ceylon	45.00	0.30	Felix R. Dias Bandaranaike *D. W. Rajapatirana*	700	0.42
Chile	100.00	0.67	Eduardo Figueroa *Alvaro Orrego Barros*	1,250	0.75
China	550.00	3.70	Chia-Kan Yen *Pao-Hsu Ho*	5,750	3.46
Colombia	100.00	0.67	Eduardo Arias Robledo *Germán Botero de los Ríos*	1,250	0.75
Costa Rica	5.50	0.04	Alvaro Castro *Alvaro Vargas*	305	0.18
Cuba	50.00	0.34	Segundo Ceballos Pareja *René Monserrat*	750	0.45
Denmark	130.00	0.88	Svend Nielsen *Einar Dige*	1,550	0.93
Dominican Republic	15.00	0.10	Manuel V. Ramos *Vacant*	400	0.24
Ecuador	15.00	0.10	Nicolás Fuentes Avellán *Eduardo Larrea*	400	0.24

Appendix II (*continued*). MEMBERS, QUOTAS, GOVERNORS, AND VOTING POWER as of April 30, 1961

Member	Quota: Amount (000,000's)	Quota: Per Cent of Total	Governor / *Alternate*	Votes: Number[1]	Votes: Per Cent of Total
El Salvador	$ 11.25	0.08	Carlos J. Canessa *Miguel Dueñas Palomo*	362	0.22
Ethiopia	9.60	0.06	Yawand-Wossen Mangasha *Stanislaw Kirkor*	346	0.21
Finland	57.00	0.38	Klaus Waris *Eero Asp*	820	0.49
France	787.50	5.30	Jacques Brunet *Jean Sadrin*	8,125	4.89
Germany, Federal Republic of	787.50	5.30	Karl Blessing *Hans Karl von Mangoldt-Reiboldt*	8,125	4.89
Ghana	35.00	0.24	K. A. Gbedemah *Hubert C. Kessels*	600	0.36
Greece	60.00	0.40	Xenophon Zolotas *John S. Pesmazoglu*	850	0.51
Guatemala	15.00	0.10	Arturo Pérez Galliano *Francisco Fernández*	400	0.24
Haiti	11.25	0.08	Antonio André *Vilfort Beauvoir*	362	0.22
Honduras	11.25	0.08	Jorge Bueso Arias *Roberto Ramírez*	362	0.22
Iceland	11.25	0.08	Gylfi Gíslason *Thor Thors*	362	0.22
India	600.00	4.04	Morarji R. Desai *H. V. R. Iengar*	6,250	3.76
Indonesia	165.00	1.11	Soemarno *Pratikto Sastrohadikusumo*	1,900	1.14
Iran	70.00	0.47	Ebrahim Kashani *Ahmad Majidian*	950	0.57
Iraq	15.00	0.10	Abdul Latif Al-Shawaf *Subhi Frankool*	400	0.24
Ireland	45.00	0.30	Seamas O Riain *Maurice Moynihan*	700	0.42
Israel	25.00	0.17	Levi Eshkol *David Kochav*	500	0.30
Italy	270.00	1.82	Giuseppe Pella *Paolo Emilio Taviani*	2,950	1.78

Appendix II (*continued*). MEMBERS, QUOTAS, GOVERNORS, AND VOTING POWER as of April 30, 1961

Member	Quota: Amount (000,000's)	Quota: Per Cent of Total	Governor *Alternate*	Votes: Number[1]	Votes: Per Cent of Total
Japan	$ 500.00	3.37	Mikio Mizuta *Masamichi Yamagiwa*	5,250	3.16
Jordan	4.50	0.03	Hashem Jayousi *Abdul Karim Humud*	295	0.18
Korea	18.75	0.13	Yung Seun Kim *Byong Do Min*	437	0.26
Lebanon	4.50	0.03	Nasr Harfouche *Farid Solh*	295	0.18
Libya	9.00	0.06	Omar Mahmud Muntasser *Vacant*	340	0.20
Luxembourg	11.00	0.07	Pierre Werner *Pierre Guill*	360	0.22
Malaya	30.00	0.20	Tan Siew Sin *W. H. Wilcock*	550	0.33
Mexico	180.00	1.21	Antonio Ortiz Mena *Rodrigo Gómez*	2,050	1.23
Morocco	52.50	0.35	M'Hamed Douiri *M'Hammed Zeghari*	775	0.47
Netherlands	412.50	2.78	M. W. Holtrop *E. van Lennep*	4,375	2.64
Nicaragua	11.25	0.08	Guillermo Sevilla Sacasa *Francisco J. Laínez*	362	0.22
Nigeria	50.00	0.34	Festus Sam Okotie-Eboh *Roy Pentelow Fenton*	750	0.45
Norway	100.00	0.67	Erik Brofoss *Christian Brinch*	1,250	0.75
Pakistan	150.00	1.01	S. A. Hasnie *Zahiruddin Ahmed*	1,750	1.05
Panama	0.50	0.01	René Orillac *Carlos F. Alfaro*	255	0.15
Paraguay	10.00	0.07	Vacant *Pedro R. Chamorro*	350	0.21
Peru	30.00	0.20	Enrique Bellido *Emilio G. Barreto*	550	0.33
Philippines	75.00	0.51	Miguel Cuaderno, Sr. *Eduardo Z. Romualdez*	1,000	0.60

Appendix II (*concluded*). MEMBERS, QUOTAS, GOVERNORS, AND VOTING POWER as of April 30, 1961

Member	Quota: Amount (000,000's)	Quota: Per Cent of Total	Governor / *Alternate*	Votes: Number[1]	Votes: Per Cent of Total
Portugal	$ 60.00	0.40	Vacant *Vacant*	850	0.51
Saudi Arabia	55.00	0.37	Ahmed Zaki Saad *Vacant*	800	0.48
Spain	150.00	1.01	Alberto Ullastres *Manuel Varela*	1,750	1.05
Sudan	15.00	0.10	Abdel Magid Ahmed *Mamoun Beheiry*	400	0.24
Sweden	150.00	1.01	Per V. Åsbrink *S. F. Joge*	1,750	1.05
Thailand	45.00	0.30	Sunthorn Hongladarom *Bisudhi Nimmanahaeminda*	700	0.42
Tunisia	14.10	0.09	Hédi Nouira *Mongi Slim*	391	0.24
Turkey	86.00	0.58	Kemal Kurdaş *Kemal Siber*	1,110	0.67
Union of South Africa	150.00	1.01	T. E. Dönges *G. W. G. Browne*	1,750	1.05
United Arab Republic	105.00	0.71	Husni A. Sawwaf *Abdel Hakim El Rifai*	1,300	0.78
United Kingdom	1,950.00	13.13	Selwyn Lloyd *M. H. Parsons*	19,750	11.90
United States	4,125.00	27.78	Douglas Dillon *George W. Ball*	41,500	25.00
Uruguay	15.00	0.10	Romeo Maeso *Daniel Rodriguez Larreta*	400	0.24
Venezuela	150.00	1.01	J. J. González Gorrondona *Hernán Avendaño*	1,750	1.05
Viet-Nam	16.50	0.11	Tran Huu Phuong *Vu Quoc Thuc*	415	0.25
Yugoslavia	120.00	0.81	Janko Smole *Nenad Popovic*	1,450	0.87
	$14,850.70	100.00		166,004	100.00[2]

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

Appendix III. Changes in Membership of Board of Governors

Changes in the membership of the Board of Governors between May 1, 1960 and April 30, 1961 were as follows:

Per V. Åsbrink was reappointed Governor for Sweden, May 13, 1960.

The term of Saleh Al-Shalfan as Alternate Governor for Saudi Arabia ended May 23, 1960.

Ekrem Alican succeeded Hasan Polatkan as Governor for Turkey, June 3, 1960.

Kyaw Nyein succeeded Soe Nyun as Governor for Burma, June 7, 1960.

Ho Byung Yun succeeded In Sang Song as Governor for Korea, effective June 11, 1960.

Byong Do Min succeeded Young Hui Kim as Alternate Governor for Korea, effective June 11, 1960.

G. W. G. Browne succeeded Daniel Hendrik Steyn as Alternate Governor for the Union of South Africa, June 11, 1960.

S. Salvador Ortiz succeeded Oscar Guaroa Ginebra Henríquez as Governor for the Dominican Republic, June 23, 1960.

The Fund was notified on July 5, 1960 that Soetikno Slamet succeeded Loekman Hakim as Governor for Indonesia, effective September 1, 1959.

Paolo Emilio Taviani succeeded Giuseppe Medici as Alternate Governor for Italy, July 6, 1960.

Reinhard Kamitz succeeded Eugen Margarétha as Governor for Austria, July 8, 1960.

Omar Mahmud Muntasser was appointed Governor for Libya, July 18, 1960.

M'Hamed Douiri succeeded Abderrahim Bouabid as Governor for Morocco, July 19, 1960.

S. A. Hasnie succeeded Abdul Qadir as Governor for Pakistan, July 21, 1960.

The term of R. Soegiarto as Alternate Governor for Indonesia expired July 22, 1960.

Mikio Mizuta succeeded Eisaku Sato as Governor for Japan, July 22, 1960.

Felix R. Dias Bandaranaike succeeded J. R. Jayawardene as Governor for Ceylon, July 26, 1960.

Arturo Pérez Galliano succeeded Gustavo Mirón as Governor for Guatemala, August 2, 1960.

Subhi Frankool was appointed Alternate Governor for Iraq, August 2, 1960.

Levi Eshkol succeeded David Horowitz as Governor for Israel, August 2, 1960.

Janko Smole succeeded Zoran Polič as Governor for Yugoslavia, August 4, 1960.

Nenad Popovic succeeded Antonije Tasić as Alternate Governor for Yugoslavia, August 4, 1960.

Selwyn Lloyd succeeded Derick Heathcoat Amory as Governor for the United Kingdom, August 8, 1960.

Augusto Cuadros Sánchez succeeded Eufronio Hinojosa as Governor for Bolivia, August 13, 1960.

Prince Viwat, Governor for Thailand, died August 22, 1960.

Howard Beale succeeded J. M. Garland as Alternate Governor for Australia, August 23, 1960.

Hashem Jayousi succeeded Sulaiman Sukkar as Governor for Jordan, August 29, 1960.

Yung Seun Kim succeeded Ho Byung Yun as Governor for Korea, effective September 3, 1960.

Husni El Sawwaf succeeded Abd el-Wahab Homad as Governor for the United Arab Republic, September 9, 1960.

Abdel Hakim El Rifai succeeded Albert Mansour as Alternate Governor for the United Arab Republic, September 9, 1960.

Giuseppe Pella succeeded Fernando Tambroni as Governor for Italy, September 12, 1960.

César Barrientos was appointed Governor for Paraguay, September 17, 1960.

Edgar F. Taboada succeeded Pedro R. Chamorro as Alternate Governor for Paraguay, September 17, 1960.

Louis Rasminsky succeeded James Elliott Coyne as Alternate Governor for Canada, September 22, 1960.

Germán Botero de los Ríos succeeded Jaime Tobón Villegas as Alternate Governor for Colombia, September 22, 1960.

Walter Müller succeeded Eduardo Figueroa as Governor for Chile, September 24, 1960.

Joseph Chatelain succeeded Antonio André as Governor for Haiti, September 24, 1960.

José Antonio Mayobre succeeded J. J. González Gorrondona as Governor for Venezuela, September 24, 1960.

J. J. González Gorrondona succeeded Hernán Avendaño as Alternate Governor for Venezuela, September 24, 1960.

Vu Quoc Thuc succeeded Tran Huu Phuong as Governor for Viet-Nam, September 24, 1960.

Vu Van Thai succeeded Vu Quoc Thuc as Alternate Governor for Viet-Nam, September 24, 1960.

Eduardo Figueroa succeeded Walter Müller as Governor for Chile, October 1, 1960.

Antonio André succeeded Joseph Chatelain as Governor for Haiti, October 1, 1960.

The term of César Barrientos as Governor for Paraguay ended October 1, 1960.

Pedro R. Chamorro succeeded Edgar F. Taboada as Alternate Governor for Paraguay, October 1, 1960.

J. J. González Gorrondona succeeded José Antonio Mayobre as Governor for Venezuela, October 1, 1960.

Hernán Avendaño succeeded J. J. González Gorrondona as Alternate Governor for Venezuela, October 1, 1960.

Tran Huu Phuong succeeded Vu Quoc Thuc as Governor for Viet-Nam, October 1, 1960.

Vu Quoc Thuc succeeded Vu Van Thai as Alternate Governor for Viet-Nam, October 1, 1960.

James Elliott Coyne succeeded Louis Rasminsky as Alternate Governor for Canada, October 6, 1960.

Jacques Brunet succeeded Wilfrid Baumgartner as Governor for France, effective October 15, 1960.

Soemarno succeeded Soetikno Slamet as Governor for Indonesia, effective November 11, 1960.

Sunthorn Hongladarom was appointed Governor for Thailand, November 22, 1960.

René Orillac succeeded Henrique Obarrio as Governor for Panama, December 7, 1960.

Rigoberto E. Paredes succeeded Jaime de la Guardia, Jr., as Alternate Governor for Panama, December 7, 1960.

Vilfort Beauvoir succeeded Joseph Chatelain as Alternate Governor for Haiti, December 12, 1960.

Manuel V. Ramos succeeded S. Salvador Ortiz as Governor for the Dominican Republic, effective January 1, 1961.

Christian Brinch was reappointed Alternate Governor for Norway, effective January 1, 1961.

Kemal Kurdaş succeeded Ekrem Alican as Governor for Turkey, January 3, 1961.

Svend Nielsen was reappointed Governor for Denmark, January 10, 1961.

Abdul Latif Al-Shawaf succeeded Nadhim Al-Zahawi as Governor for Iraq, January 8, 1961.

Eero Asp succeeded Jouko J. Voutilainen as Alternate Governor for Finland, January 26, 1961.

Eduardo Arias Robledo succeeded Hernando Agudelo Villa as Governor for Colombia, February 1, 1961.

Thor Thors was reappointed Alternate Governor for Iceland, March 1, 1961.

Nicolás Fuentes Avellán succeeded Guillermo Pérez Chiriboga as Governor for Ecuador, March 2, 1961.

Eduardo Larrea succeeded Clemente Vallejo as Alternate Governor for Ecuador, March 2, 1961.

Douglas Dillon succeeded Robert B. Anderson as Governor for the United States, March 7, 1961.

George W. Ball succeeded Douglas Dillon as Alternate Governor for the United States, March 7, 1961.

Pratikto Sastrohadikusumo was appointed Alternate Governor for Indonesia, March 9, 1961.

Einar Dige was reappointed Alternate Governor for Denmark, March 13, 1961.

Xenophon Zolotas was reappointed Governor for Greece, March 23, 1961.

Clemente Mariani Bittencourt succeeded Sebastião Paes de Almeida as Governor for Brazil, March 28, 1961.

Maurice Moynihan succeeded J.J. McElligott as Alternate Governor for Ireland, March 29, 1961.

Octavio Gouvea de Bulhoes succeeded Maurício C. Bicalho as Alternate Governor for Brazil, April 3, 1961.

Carlos F. Alfaro succeeded Rigoberto E. Paredes as Alternate Governor for Panama, April 5, 1961.

Kemal Siber succeeded Ziya Müezzinoğlu as Alternate Governor for Turkey, April 7, 1961.

Festus Sam Okotie-Eboh was appointed Governor for Nigeria, April 18, 1961.

Roy Pentelow Fenton was appointed Alternate Governor for Nigeria, April 18, 1961.

Zahiruddin Ahmed succeeded Vaqar Ahmad as Alternate Governor for Pakistan, April 29, 1961.

Appendix IV. Executive Directors and Voting Power as of April 30, 1961

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	41,500	41,500	25.24
D. B. Pitblado *Raymond H. Bonham Carter*	United Kingdom	19,750	19,750	12.01
Jean de Largentaye *Jacques Waïtzenegger*	France	8,125	8,125	4.94
Wilfried Guth *Helmut Koinzer*	Federal Republic of Germany	8,125	8,125	4.94
B. N. Adarkar *I. G. Patel*	India	6,250	6,250	3.80
ELECTED				
Ahmed Zaki Saad (United Arab Republic)	Afghanistan	475		
Albert Mansour	Ethiopia	346		
(United Arab Republic)	Iran	950		
	Iraq	400		
	Jordan	295		
	Lebanon	295		
	Pakistan	1,750		
	Philippines	1,000		
	Saudi Arabia	800		
	Sudan	400		
	United Arab Republic	1,300	8,011	4.87
Gengo Suzuki (Japan)	Burma	550		
M. Kumashiro (Japan)	Ceylon	700		
	Japan	5,250		
	Thailand	700	7,200	4.38
André van Campenhout (Belgium)	Austria	1,000		
Maurice Toussaint	Belgium	3,625		
(Belgium)	Korea	437		
	Luxembourg	360		
	Turkey	1,110	6,532	3.97
Louis Rasminsky (Canada)	Canada	5,750		
C. L. Read (Canada)	Ireland	700	6,450	3.92

Appendix IV (*continued*). EXECUTIVE DIRECTORS AND VOTING POWER as of April 30, 1961

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Per Cent of Total
J. M. Garland (Australia)	Australia	4,250		
F. C. Pryor (Australia)	Union of South Africa	1,750		
	Viet-Nam	415	6,415	3.90
José Antonio Mayobre	Costa Rica	305		
(Venezuela)	Cuba	750		
Jorge A. Montealegre	El Salvador	362		
(Nicaragua)	Guatemala	400		
	Honduras	362		
	Mexico	2,050		
	Nicaragua	362		
	Venezuela	1,750	6,341	3.86
Pieter Lieftinck (Netherlands)	Israel	500		
H. M. H. A. van der Valk	Netherlands	4,375		
(Netherlands)	Yugoslavia	1,450	6,325	3.85
Guillermo Walter Klein	Argentina	3,050		
(Argentina)	Bolivia	475		
Javier Urrutia (Chile)	Chile	1,250		
	Ecuador	400		
	Paraguay	350		
	Uruguay	400	5,925	3.60
Maurício C. Bicalho (Brazil)	Brazil	3,050		
Gabriel Costa Carvalho	Colombia	1,250		
(Brazil)	Dominican Republic	400		
	Haiti	362		
	Panama	255		
	Peru	550	5,867	3.57
Beue Tann (China)	China	5,750	5,750	3.50
I-Shuan Sun (China)				
Thorhallur Ásgeirsson	Denmark	1,550		
(Iceland)	Finland	820		
Gabriel Kielland (Norway)	Iceland	362		
	Norway	1,250		
	Sweden	1,750	5,732	3.49

Appendix IV (*concluded*). EXECUTIVE DIRECTORS AND VOTING POWER as of April 30, 1961

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Per Cent of Total
Sergio Siglienti (Italy)	Greece	850		
Costa P. Caranicas (Greece)	Italy	2,950		
	Spain	1,750	5,550	3.38
Soetikno Slamet (Indonesia)	Ghana	600		
Amon Nikoi (Ghana)	Indonesia	1,900		
	Libya	340		
	Malaya	550		
	Morocco	775		
	Tunisia	391	4,556	2.77
			164,404[2]	100.00[3]

[1] Voting power varies on certain matters with use by members of the Fund's resources.
[2] This total does not include the votes of Nigeria and Portugal, which did not participate in the Eighth Regular Election of Executive Directors.
[3] This total is not equal to the sum of the items because of rounding.

Appendix V. CHANGES IN MEMBERSHIP OF EXECUTIVE BOARD

Changes in the membership of the Executive Board between May 1, 1960 and April 30, 1961 were as follows:

Günter Koenig (Chile) served as Temporary Alternate Executive Director to Walter Müller (Chile), May 11 and May 18 to 25, 1960.

A. F. M. van der Ven (Netherlands) served as Temporary Alternate Executive Director to Pieter Lieftinck (Netherlands), May 11 and June 30, 1960.

J. C. Langley (Canada) served as Temporary Alternate Executive Director to Louis Rasminsky (Canada), June 7 to 15, 1960.

Brian Emmott Fleming (Australia) resigned as Alternate Executive Director to J. M. Garland (Australia), June 10, 1960.

A. W. McCasker (Australia) was appointed Alternate Executive Director to J. M. Garland (Australia), effective June 11, 1960.

José Aragonés (Spain) served as Temporary Alternate Executive Director to Carlo Gragnani (Italy), July 20 and August 10, 1960.

Nikola Miljanic (Yugoslavia) served as Temporary Alternate Executive Director to Pieter Lieftinck (Netherlands), August 17, 1960.

Octavio Paranaguá (Brazil), Executive Director for Brazil, Colombia, the Dominican Republic, Haiti, Panama, and Peru, died August 21, 1960.

A. W. McCasker (Australia) resigned as Alternate Executive Director to J. M. Garland (Australia), September 19, 1960.

F. C. Pryor (Australia) was appointed Alternate Executive Director to J. M. Garland (Australia), effective September 20, 1960.

Antonio de Abreu Coutinho (Brazil) served as Temporary Alternate Executive Director to Gabriel Costa Carvalho (Brazil), October 7 to 14, 1960.

Lempira Bonilla (Honduras) served as Temporary Alternate Executive Director to Rodrigo Gómez (Mexico), October 14, 1960.

Gengo Suzuki (Japan) served as Temporary Alternate Executive Director to Takeshi Watanabe (Japan), October 14, 1960.

Eero Asp (Finland) completed his term of service as Executive Director for Denmark, Finland, Iceland, Norway, and Sweden, October 31, 1960.

Rodrigo Gómez (Mexico) completed his term of service as Executive Director for Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Venezuela, October 31, 1960.

Carlo Gragnani (Italy) completed his term of service as Executive Director for Greece, Italy, and Spain, October 31, 1960.

Walter Müller (Chile) completed his term of service as Executive Director for Argentina, Bolivia, Chile, Ecuador, Paraguay, and Uruguay, October 31, 1960.

Soemarno (Indonesia) completed his term of service as Executive Director for Ghana, Indonesia, Libya, Malaya, Morocco, and Tunisia, October 31, 1960.

Aly Jumaa Mouzughi (Libya) completed his term of service as Alternate Executive Director to Soemarno (Indonesia), October 31, 1960.

Takeshi Watanabe (Japan) completed his term of service as Executive Director for Burma, Ceylon, Japan, and Thailand, October 31, 1960.

P. M. Jayarajan (Ceylon) completed his term of service as Alternate Executive Director to Takeshi Watanabe (Japan), October 31, 1960.

Thorhallur Ásgeirsson (Iceland), formerly Alternate Executive Director to Eero Asp (Finland), was elected Executive Director by Denmark, Finland, Iceland, Norway, and Sweden, effective November 1, 1960.

Gabriel Kielland (Norway) was appointed Alternate Executive Director to Thorhallur Ásgeirsson (Iceland), effective November 1, 1960.

Maurício C. Bicalho (Brazil) was elected Executive Director by Brazil, Colombia, the Dominican Republic, Haiti, Panama, and Peru, effective November 1, 1960.

Gabriel Costa Carvalho (Brazil), formerly Alternate Executive Director to Octavio Paranaguá (Brazil), was appointed Alternate Executive Director to Maurício C. Bicalho (Brazil), effective November 1, 1960.

J. M. Garland (Australia) was re-elected Executive Director by Australia, the Union of South Africa, and Viet-Nam, effective November 1, 1960.

F. C. Pryor (Australia) was reappointed Alternate Executive Director to J. M. Garland (Australia), effective November 1, 1960.

Wilfried Guth (Federal Republic of Germany) completed his term of service as Executive Director elected by the Federal Republic of Germany on October 31, 1960, and was appointed Executive Director by the Federal Republic of Germany, effective November 1, 1960.

Helmut Koinzer (Federal Republic of Germany) was reappointed Alternate Executive Director to Wilfried Guth (Federal Republic of Germany), effective November 1, 1960.

Guillermo Walter Klein (Argentina) was elected Executive Director by Argentina, Bolivia, Chile, Ecuador, Paraguay, and Uruguay, effective November 1, 1960.

Javier Urrutia (Chile), formerly Alternate Executive Director to Walter Müller (Chile), was appointed Alternate Executive Director to Guillermo Walter Klein (Argentina), effective November 1, 1960.

Pieter Lieftinck (Netherlands) was re-elected Executive Director by Israel, the Netherlands, and Yugoslavia, effective November 1, 1960.

H. M. H. A. van der Valk (Netherlands) was reappointed Alternate Executive Director to Pieter Lieftinck (Netherlands), effective November 1, 1960.

José Antonio Mayobre (Venezuela) was elected Executive Director by Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Venezuela, effective November 1, 1960.

Jorge A. Montealegre (Nicaragua), formerly Alternate Executive Director to Rodrigo Gómez (Mexico), was appointed Alternate Executive Director to José Antonio Mayobre (Venezuela), effective November 1, 1960.

Louis Rasminsky (Canada) completed his term of service as Executive Director appointed by Canada, October 31, 1960, and was elected Executive Director by Canada and Ireland, effective November 1, 1960.

C. L. Read (Canada) was reappointed Alternate Executive Director to Louis Rasminsky (Canada), effective November 1, 1960.

Ahmed Zaki Saad (United Arab Republic) was re-elected Executive Director by Afghanistan, Ethiopia, Iran, Iraq, Jordan, Lebanon, Pakistan, the Philippines, Saudi Arabia, the Sudan, and the United Arab Republic, effective November 1, 1960.

Sergio Siglienti (Italy) was elected Executive Director by Greece, Italy, and Spain, effective November 1, 1960.

Costa P. Caranicas (Greece), formerly Alternate Executive Director to Carlo Gragnani (Italy), was appointed Alternate Executive Director to Sergio Siglienti (Italy), effective November 1, 1960.

Soetikno Slamet (Indonesia) was elected Executive Director by Ghana, Indonesia, Libya, Malaya, Morocco, and Tunisia, effective November 1, 1960.

Gengo Suzuki (Japan) was elected Executive Director by Burma, Ceylon, Japan, and Thailand, effective November 1, 1960.

M. Kumashiro (Japan) was appointed Alternate Executive Director to Gengo Suzuki (Japan), effective November 1, 1960.

Beue Tann (China) completed his term of service as Executive Director appointed by China, October 31, 1960, and was elected Executive Director by China, effective November 1, 1960.

André van Campenhout (Belgium) was re-elected Executive Director by Austria, Belgium, Korea, Luxembourg, and Turkey, effective November 1, 1960.

José Aragonés (Spain) served as Temporary Alternate Executive Director to Sergio Siglienti (Italy), November 4, 1960.

August Frans Ompi (Indonesia) served as Temporary Alternate Executive Director to Soetikno Slamet (Indonesia), November 4 to 18, 1960.

Amon Nikoi (Ghana) was appointed Alternate Executive Director to Soetikno Slamet (Indonesia), effective December 30, 1960.

The Earl of Cromer (United Kingdom) resigned as Executive Director for the United Kingdom, January 18, 1961.

D. B. Pitblado (United Kingdom) was appointed Executive Director for the United Kingdom, effective January 19, 1961.

G. J. MacGillivray (United Kingdom), formerly Alternate Executive Director to The Earl of Cromer (United Kingdom), was appointed Alternate Executive Director to D. B. Pitblado (United Kingdom), effective January 19, 1961, and resigned, February 26, 1961.

Raymond H. Bonham Carter (United Kingdom) was appointed Alternate Executive Director to D. B. Pitblado (United Kingdom), effective February 27, 1961.

Lempira Bonilla (Honduras) served as Temporary Alternate Executive Director to José Antonio Mayobre (Venezuela), March 4 to 6, 1961.

Appendix VI. Summary of Fund Transactions from the beginning of operations to April 30, 1961[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)	With-drawing Member's Offset (5)	Member's Currency Used for Repurchases by Other Members (6)	Effect of Operations on Fund's Currency Holdings (columns 2 & 6 minus 3, 4, & 5) (7)	Fund's Currency Holdings on April 30, 1961 Expressed as Percentage of Quota (8)
Argentina	217.5	16.0	21.5			180.0	139.3
Australia	225.0		64.1			160.9	125.6
Austria			7.5			—7.5	75.0
Belgium	83.0	11.4	71.6			0.0	75.0
Bolivia	12.9		3.5			9.4	117.3
Brazil	308.5		168.5			140.0	125.0
Burma	15.0		18.2			—3.2	75.0
Canada		25.0			0.4	—24.6	70.5
Ceylon	11.3		3.0			8.3	100.1
Chile	104.7		44.3			60.4	139.1
Colombia	65.0		40.0			25.0	100.0
Costa Rica	1.3		2.1			—0.8	75.0
Cuba	72.5		47.5			25.0	125.0
Czechoslovakia	6.0			5.7[2]		0.3[2]	[3]
Denmark	44.2	0.8	55.3			—11.9	74.4
Dominican Republic	9.0					9.0	135.0
Ecuador	10.0		5.0			5.0	108.3
El Salvador	21.3		10.0			11.3	175.0
Ethiopia	0.6		2.0			—1.4	74.9
Finland	9.5		18.2			—8.7	75.0
France	518.8	42.5	529.0			—52.7	71.2
Germany, Fed. Rep. of		220.3	45.1			—265.4	47.6
Haiti	5.4		1.3			4.1	111.6
Honduras	15.0		11.2			3.8	108.3
Iceland	6.8					6.8	135.9
India	300.0		172.4			127.6	110.6
Indonesia	70.0		68.0			2.0	83.5
Iran	96.0		45.9			50.0	146.4
Iraq			2.0			—2.0	74.9
Israel	3.8		3.7			0.0	75.0
Italy		30.0				—30.0	63.9
Japan	249.0		249.0			0.0	75.0
Lebanon			0.9			—0.9	74.7
Mexico	67.5		67.4			0.0[3]	75.0
Netherlands	144.1	37.5	139.1			—32.5	67.1
Nicaragua	9.5		8.0			1.5	88.3
Norway	9.6		9.6			0.0	75.0
Pakistan	12.5					12.5	97.6
Paraguay	8.1		3.6			4.5	120.0
Peru	14.5		17.6			—3.1	75.0
Philippines	30.0		20.8			9.2	87.2
Spain	50.0		50.0			0.0	85.0
Sudan	6.3		0.4			5.9	129.6
Sweden			8.0			—8.0	75.0
Turkey	73.5		41.0			32.5	112.7
Union of South Africa	83.7		46.2			37.5	99.9
United Arab Republic							
Egyptian Region	67.8		30.8			37.0	122.2
Syrian Region	15.0		1.5			13.5	175.0
United Kingdom	861.5	350.5	666.6		9.6	—146.0	72.8
United States		3,294.5[4]			2,195.6	—1,098.9	62.3
Yugoslavia	86.9		16.5			70.4	139.7
Total	4,022.3	4,028.5[4]	2,838.1[5]	5.7	2,205.5	—644.5	

[1] Totals may not equal sums of items because of rounding.
[2] The settlement with Czechoslovakia involved an offset of $2.04 million in respect of Czechoslovakia's drawing of $6 million. The installments paid by Czechoslovakia under the settlement increased the offset to $5.7 million.
[3] After adjustment for effect of administrative items.
[4] Includes $6.2 million sold for gold.
[5] $2,205.5 million repurchased with convertible currency and $632.5 million with gold.

Appendix VII. Administrative Budget

Letter of Transmittal

June 23, 1961

My dear Mr. Chairman:

The administrative budget of the Fund approved by the Executive Board for the Fiscal Year ending April 30, 1962 is presented herewith, in accordance with Section 20 of the By-Laws. The presentation also shows actual expenditures for the past two fiscal years.

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 estimates of requirements on the basis of the expected level of activities. Should contingencies arise or present plans change materially, the management would recommend appropriate amendments to the Executive Board.

Yours sincerely,
/s/
PER JACOBSSON
Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

Administrative Budget as Approved by the Executive Board for the Fiscal Year Ending April 30, 1962, Compared with Actual Expenditures for the Fiscal Years 1959-60 and 1960-61

Category of Expenditure	Budget F. Y. 1961-62	F. Y. 1960-61		Actual Expenditures F. Y. 1959-60
		Budget	Actual Expenditures	
I. Board of Governors	$ 373,000	$ 242,000	$ 221,886.96	$ 225,816.09
II. Office of Executive Directors				
Salaries	$ 760,000	$ 752,000	$ 728,944.29	$ 715,608.93
Other compensations and benefits	149,000	153,000	137,872.11	119,649.64
Travel	180,000	215,000	177,671.06	167,834.99
Total	$1,089,000	$1,120,000	$1,044,487.46	$1,003,093.56
III. Staff				
Salaries	$3,839,000	$3,423,000	$3,379,480.48	$3,070,270.32
Other compensations and benefits	1,263,000	1,168,000	1,139,593.87	1,001,502.40
Travel	900,000	838,000	768,485.51	619,903.50
Total	$6,002,000	$5,429,000	$5,287,559.86	$4,691,676.22
IV. Other Administrative Expenses				
Communications	$ 191,000	$ 184,000	$ 180,882.23	$ 167,629.15
Office occupancy expenses	317,000	214,000	200,380.21	209,818.43
Books and printing	175,000	165,000	135,758.51	138,665.95
Supplies and equipment	165,000	153,000	143,464.85	120,175.54
Miscellaneous	148,000	146,000	132,290.80	116,462.04
Total	$ 996,000	$ 862,000	$ 792,776.60	$ 752,751.11
Total	$8,460,000	$7,653,000[1]	$7,346,710.88	$6,673,336.98

[1] Includes $268,000 supplementary appropriations approved by the Executive Board on July 15, 1960.

Appendix VIII. Comparative Statement of Income and of Total Administrative Expenditure

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

	Year Ended Apr. 30, 1959	Year Ended Apr. 30, 1960	Year Ended Apr. 30, 1961
INCOME[1]			
Service charges			
Received in gold....	$ 1,317,585.21	$ 807,982.47	$ 2,808,750.00
Received in members' currencies ..	—	19,687.53	76,250.00
Total	$ 1,317,585.21	$ 827,670.00	$ 2,885,000.00
Charges on Fund's holdings of members' currencies and securities in excess of quotas			
Received in gold..	$19,254,897.90	$11,761,918.30	$ 7,910,043.60
Received in members' currencies.	4,546,171.04	5,144,818.16	3,103,122.11
Total	$23,801,068.94	$16,906,736.46	$11,013,165.71
Other operational income	$ 2,054,058.77	$ 3,267,392.55	$ 652,206.89
Miscellaneous income.	499.31	535.99	627.68
TOTAL INCOME.	$27,173,212.23	$21,002,335.00	$14,551,000.28
TOTAL ADMINISTRATIVE EXPENDITURE	$ 6,559,647.85	$ 6,673,336.98	$ 7,346,710.88

[1] Excludes income from investments transferred to Special Reserve for the fiscal years ended April 30, as follows:
1959...... $ 4,108,526.63
1960...... 15,359,726.47
1961...... 19,866,076.96

Appendix IX. Financial Statements of International Monetary Fund and Staff Retirement Fund

Letter of Transmittal

June 23, 1961

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 financial statements of the International Monetary Fund, and the Staff Retirement Fund, for the year ended April 30, 1961, together with two memoranda from the Audit Committee, which include the audit certificates.

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, Italy, Japan, and the United States nominated auditors to serve on this Committee. They respectively nominated Mr. Savino Spinosi, Department Director, Italian Ministry of the Treasury; Mr. Takeo Yumoto, Auditor, Bank of Japan; and Mr. Samuel J. Elson, Deputy Commissioner, Central Reports, Bureau of Accounts, U. S. Treasury Department. The auditors thus nominated were confirmed by the Executive Directors.

It will be noted that, in the period under review, ordinary income amounted to $14,551,000.28 and expenditure amounted to $7,356,506.90, resulting in a net income of $7,194,493.38, which has been transferred provisionally to General Reserve pending Board of Governors' action. In addition, income of $19,866,076.96 from the Fund's gold investment program has been transferred to Special Reserve.

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

Yours sincerely,

/s/

Per Jacobsson

Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

Memorandum by the Audit Committee

June 23, 1961

To the Managing Director
and the Executive Directors
International Monetary Fund

The report of the Audit Committee, dated June 23, 1961, submitted through you to the Board of Governors, on the audit of the financial records and transactions of the Fund for the fiscal year ended April 30, 1961, includes the following paragraphs relating to the scope of the audit conducted and the audit certificate given:

Scope of the Audit

In the conducting of the audit, the Committee has taken due note of the requirements of Section 20(b) of the By-Laws that the audit be carried out according to generally accepted auditing standards; that it be comprehensive with respect to the examination of the financial records; that it extend, so far as practicable, to the ascertainment that financial transactions consummated during the period under review were supported by the necessary authority; and that it determine that there was adequate and faithful accounting for the assets of the Fund. In considering the authority for financial transactions, reference was made to the Articles of Agreement, the By-Laws and Rules and Regulations, and to the minutes of the Executive Board. The system of accounting and internal financial control was reviewed, and the work performed by the Internal Auditor, as reported upon by him to the Committee, was taken into account in the audit.

Audit Certificate

We have made an independent examination of the Balance Sheet of the International Monetary Fund as at April 30, 1961, of the Statement of Income and Expenditure and of Reserves for the fiscal year then ended, and of the schedules related to such financial statements. 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.

As a result of our examination we report that, in our opinion, 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, 1961, 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.

AUDIT COMMITTEE:

/s/ Takeo Yumoto, Chairman (Japan)

/s/ Savino Spinosi (Italy)

/s/ Samuel J. Elson (United States)

Exhibit A

BALANCE

as at April

Values expressed in U.S. dollars on the

ASSETS

GOLD ACCOUNT (Schedule 1)			
Gold with depositories (See Note 2)		$2,476,355,678.62	
(70,753,019.389 fine ounces, at US$35.00 per ounce)			
Investments (See Note 3)			
$808,608,000 U.S. Government securities maturing within 12 months, at cost	$799,623,464.18		
Accrued interest purchased	350,749.33		
Funds awaiting investment	17,297.18	799,991,510.69	$ 3,276,347,189.31
CURRENCIES AND SECURITIES (Schedule 2)			
With depositories			
Currencies	$2,204,116,607.97		
Securities	8,746,669,390.33	$10,950,785,998.30	
(nonnegotiable, noninterest bearing demand obligations, payable at face value by members in their currencies)			
Add: Currency adjustments *(in accordance with Article IV, Section 8)*			
Receivable	$9,368,199.03		
Payable	83,936.33	9,284,262.70	10,960,070,261.00
SUBSCRIPTIONS TO CAPITAL—RECEIVABLE (Schedule 3)			
Balances not due			711,274,822.00
(members whose par values have not yet been established)			
SUBSCRIPTIONS DUE FROM MEMBERS IN RESPECT OF AUTHORIZED INCREASES IN QUOTAS (Contra) (Schedule 6)			50,301,255.05
WITHDRAWING MEMBER'S CURRENCY			330,289.74
(redeemable by Czechoslovakia in gold or U.S. dollars not later than July 2, 1961)			
OTHER ASSETS (See Note 4) (Schedule 4)			9,272,954.57
(receivables, accruals, prepayments, and sundry cash)			
TOTAL ASSETS			$15,007,596,771.67

NOTES:

1. With the exception of the following currencies, which, for bookkeeping purposes, are computed at provisional rates (the Tunisian dinar represents U.S. cents per currency unit; all other rates represent currency units per U.S. dollar):

Afghanistan afghani	20.0000	Indonesian rupiah	45.0000	Thai baht	21.0000
Argentine peso	83.0000	Korean hwan	500.000	Tunisian dinar	238.000
Bolivian boliviano	11,500.0	Malayan dollar	3.06122	Vietnamese piastre	35.0000
Canadian dollar	0.988438	Paraguayan guaraní	122.000		
Chilean escudo	1.04900	Peruvian sol	26.8050		

2. Excludes 3,725.733 fine ounces earmarked for members.
3. Made with the proceeds of the sale of 22,856,900.312 fine ounces of gold. Upon termination of the investment, the same quantity of gold can be reacquired.
4. The assets and liabilities of the Staff Retirement Fund are not included in this Balance Sheet.
5. 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, 1961 is $814,613.21. A portion of the stand-by charge is refundable to a member if the arrangement is canceled; the maximum amount on April 30, 1961 is $502,841.11.

Exhibit A

SHEET

30, 1961

basis of established parities (See Note 1)

CAPITAL, RESERVES, AND LIABILITIES

CAPITAL		
Authorized subscriptions of members (Schedule 3)		$14,850,700,000.00
RESERVES (Exhibit C)		
Special reserve	$42,164,890.30	
General reserve	46,985,045.67	89,149,935.97
SUBSCRIPTIONS IN RESPECT OF INCREASES IN QUOTAS CONSENTED TO BUT NOT YET EFFECTIVE (Schedule 6)		
Partial payments made	$16,273,744.95	
Payments due (Contra)	50,301,255.05	66,575,000.00
PROVISION FOR POTENTIAL REFUNDS OF STAND-BY CHARGES (See Note 5)		814,613.21
OTHER LIABILITIES (See Note 4) (Schedule 5) (*accruals, etc.*)		357,222.49
TOTAL CAPITAL, RESERVES, AND LIABILITIES		$15,007,596,771.67

/s/Y. C. KOO
Treasurer

/s/PER JACOBSSON
Managing Director

/s/C. M. POWELL
Comptroller and Assistant Treasurer

Appendix IX (*continued*)

Exhibit B

STATEMENT OF INCOME AND EXPENDITURE
for the year ended April 30, 1961

INCOME

Operational charges		$ 3,537,206.89	
Charges on balances in excess of quotas		11,013,165.71	
Other income		627.68	
TOTAL INCOME (See Note 1)			$14,551,000.28

EXPENDITURE

Board of Governors		$ 221,886.96	
Office of Executive Directors			
Salaries	$728,944.29		
Other compensations and benefits	137,872.11		
Travel	177,671.06	1,044,487.46	
Staff			
Salaries	$3,379,480.48		
Other compensations and benefits	1,139,593.87		
Travel	768,485.51	5,287,559.86	
Other administrative expenses			
Communications	$180,882.23		
Office occupancy expenses	200,380.21		
Books and printing (See Note 2)	135,758.51		
Supplies and equipment	143,464.85		
Miscellaneous	132,290.80	792,776.60	
Total Administrative Expenditure		$7,346,710.88	
Other expenditure			
Gold handling and conversion costs	$10,081.92		
Exchange adjustments, etc.	(285.90)	9,796.02	
TOTAL EXPENDITURE			7,356,506.90
NET INCOME (Transferred provisionally to General Reserve pending Board of Governors' action) (Exhibit C)			$ 7,194,493.38

NOTES:
1. Excludes income from investments amounting to $19,866,076.96, transferred to Special Reserve (Exhibit C).
2. After deduction of $36,079.80 for sales of Fund's publications.

Exhibit C

Statement of Reserves
for the year ended April 30, 1961

Special Reserve (See Note)		
Balance, April 30, 1960	$22,298,813.34	
Add		
Income from investment in U.S. Government securities for year	19,866,076.96	
Balance, April 30, 1961		$42,164,890.30
General Reserve		
Balance, April 30, 1960	$39,762,149.20	
Add		
Net income for year (Exhibit B), transferred provisionally pending Board of Governors' action	7,194,493.38	
Adjustment of income for previous fiscal years, pursuant to settlement agreement with withdrawing member	28,403.09	
Balance, April 30, 1961		46,985,045.67
Total Reserves (carried to Balance Sheet)		$89,149,935.97

Note:
Represents income from investment in U.S. Government securities from November 1, 1957.

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Schedule 1

GOLD ACCOUNT
as at April 30, 1961

Gold with depositories			$2,476,355,678.62
(70,753,019.389[1] fine ounces, at US$35.00 per ounce)			
Investments in U.S. Government securities:			
Maturing Within	*Face Value*	*Cost*	
3 months	$383,540,000.00	$380,146,669.49	
4 to 6 months	176,400,000.00	174,137,608.06	
7 to 9 months	123,300,000.00	121,515,295.50	
10 to 12 months	125,368,000.00	123,823,891.13	
	$808,608,000.00	$799,623,464.18	
Accrued interest purchased		350,749.33	
Funds awaiting investment		17,297.18	799,991,510.69
TOTAL GOLD ACCOUNT (carried to Balance Sheet)			$3,276,347,189.31

[1] Excludes 3,725.733 fine ounces held under earmark by the Fund for the following members:

Member	*Fine Ounces*	*Member*	*Fine Ounces*
Afghanistan	2.258	Nicaragua	16.515
Argentina	6.863	Pakistan	1.336
Australia	7.006	Paraguay	90.942
Bolivia	139.302	Peru	132.632
Brazil	1.600	Philippines	0.823
Chile	323.230	Saudi Arabia	0.759
Colombia	1.122	Spain	18.381
Cuba	122.371	Sudan	171.693
Ecuador	90.904	Thailand	0.984
El Salvador	14.778	Tunisia	0.800
Ethiopia	1,471.011	Turkey	233.538
France	0.050	Union of South Africa	268.586
Haiti	51.115	United Arab Republic	
Honduras	19.910	Egyptian Region	0.493
Iceland	0.126	Syrian Region	0.968
India	131.777	United Kingdom	30.626
Indonesia	143.939	Uruguay	11.377
Iran	0.796	Viet-Nam	5.757
Lebanon	0.784	Yugoslavia	205.598
Malaya	1.682		
Morocco	3.301	TOTAL	3,725.733

Schedule 2

CURRENCIES AND
as at April

Depositories	National Currencies	Amounts in — With Depositories — Securities	Currency
Da Afghanistan Bank	Afghanis		187,499,999.40
Banco Central de la República Argentina	Pesos	17,197,434,000.00	15,172,437,816.44
Reserve Bank of Australia	Pounds	137,253,065.15.1	87,049,767.15.5
Austrian National Bank	Schillings	1,442,640,000.00	19,507,907.09
Banque Nationale de Belgique	Francs	12,486,793,661.	169,141,099.
Banco Central de Bolivia	Bolivianos	192,889,039,310.	110,681,668,810.
Superintendencia da Moeda e do Credito (Brazil)	Cruzeiros		6,474,112,772.10
Union Bank of Burma	Kyats	105,614,512.77	1,565,280.24
Bank of Canada	Dollars	370,000,000.00	4,116,734.57
Central Bank of Ceylon	Rupees	158,498,344.05	55,986,251.69
Banco Central de Chile	Escudos		145,905,984.86
Banco de la República (Colombia)	Pesos		194,998,164.00
Banco Central de Costa Rica	Colones		23,146,520.92
Banco Nacional de Cuba	Pesos		62,499,863.10
Danmarks Nationalbank	Kroner	658,886,074.80	8,981,007.12
Banco Central de la República Dominicana	Pesos	10,747,968.11	9,501,780.79
Banco Central del Ecuador	Sucres		243,745,605.11
Banco Central de Reserva de El Salvador	Colones		49,218,460.59
State Bank of Ethiopia	Dollars	17,598,003.38	263,498.13
Bank of Finland	Markkas	13,489,212,753.	184,864,185.
Banque de France	New Francs	2,728,600,000.00	38,964,580.58
Deutsche Bundesbank	Deutsche Mark	1,467,300,000.00	31,577,078.24
Bank of Ghana	Pounds	10,398,369.0.0	125,420.5.6
Bank of Greece	Drachmas		1,349,999,911.50
Banco de Guatemala	Quetzales		11,237,465.21
Banque Nationale de la République d'Haiti	Gourdes	41,618,304.50	21,182,163.60
Banco Central de Honduras	Lempiras	16,640,759.74	7,732,966.26
Central Bank of Iceland	Krónur	317,000,000.00	263,803,909.47
Reserve Bank of India	Rupees	2,468,880,000.00	689,990,019.34
Bank Indonesia	Rupiah	5,494,200,000.00	704,620,873.16
Bank Melli Iran	Rials	7,707,562,500.00	55,154,729.50
Central Bank of Iraq	Dinars	3,959.572.347	53,669.597
Central Bank of Ireland	Pounds	12,961,482.11.10	160,972.3.9
Bank of Israel	Pounds	33,296,321.93	451,072.04
Banca d'Italia	Lire		107,811,451,460.

SECURITIES
30, 1961

Members' Currencies					
Totals	Currency Adjustments[1] Receivable (+) or Payable (—)	Totals After Currency Adjustments	Exchange Rates[2]	U.S. Dollar Equivalents	Per Cent of Quota
187,499,999.40		187,499,999.40	20.0000*	9,374,999.97[3]	—
32,369,871,816.44		32,369,871,816.44	83.0000*	389,998,455.62	139.3
224,302,833.10.6		224,302,833.10.6	224.000†	502,438,347.10	125.6
1,462,147,907.09		1,462,147,907.09	26.0000	56,236,457.96	75.0
12,655,934,760.		12,655,934,760.	50.0000	253,118,695.20	75.0
303,570,708,120.		303,570,708,120.	11,500.0*	26,397,452.88	117.3
6,474,112,772.10		6,474,112,772.10	18.5000	349,952,041.74	125.0
107,179,793.01		107,179,793.01	21.0000†	22,507,756.53	75.0
374,116,734.57	+9,259,883.92	383,376,618.49	0.988438*	387,861,068.17	70.5
214,484,595.74		214,484,595.74	21.0000†	45,041,765.10	100.1
145,905,984.86		145,905,984.86	1.04900*	139,090,548.01	139.1
194,998,164.00		194,998,164.00	1.94998	100,000,084.11	100.0
23,146,520.92		23,146,520.92	5.61500	4,122,265.52	75.0
62,499,863.10		62,499,863.10	1.00000	62,499,863.10	125.0
667,867,081.92		667,867,081.92	6.90714	96,692,275.23	74.4
20,249,748.90		20,249,748.90	1.00000	20,249,748.90	135.0
243,745,605.11		243,745,605.11	15.0000	16,249,707.00	108.3
49,218,460.59		49,218,460.59	2.50000	19,687,384.24	175.0
17,861,501.51		17,861,501.51	40.2500†	7,189,254.36	74.9
13,674,076,938.		13,674,076,938.	320.000	42,731,490.43	75.0
2,767,564,580.58		2,767,564,580.58	4.93706	560,569,363.27	71.2
1,498,877,078.24		1,498,877,078.24	4.00000	374,719,269.56	47.6
10,523,789.5.6		10,523,789.5.6	280.000†	29,466,609.97	84.2
1,349,999,911.50		1,349,999,911.50	30.0000	44,999,997.05	75.0
11,237,465.21		11,237,465.21	1.00000	11,237,465.21	74.9
62,800,468.10		62,800,468.10	5.00000	12,560,093.62	111.6
24,373,726.00		24,373,726.00	2.00000	12,186,863.00	108.3
580,803,909.47		580,803,909.47	38.0000	15,284,313.41	135.9
3,158,870,019.34		3,158,870,019.34	21.0000†	663,362,704.06	110.6
6,198,820,873.16		6,198,820,873.16	45.0000*	137,751,574.96	83.5
7,762,717,229.50		7,762,717,229.50	75.7500	102,478,115.24	146.4
4,013,241.944		4,013,241.944	280.000†	11,237,077.45	74.9
13,122,454.15.7		13,122,454.15.7	280.000†	36,742,873.38	81.7
33,747,393.97		33,747,393.97	1.80000	18,748,552.21	75.0
107,811,451,460.		107,811,451,460.	625.000	172,498,322.34	63.9

Appendix IX (*continued*)

Schedule 2
(*concluded*)

CURRENCIES AND
as at April

Depositories	National Currencies	Amounts in	
		With Depositories	
		Securities	Currency
Bank of Japan	Yen	133,196,366,218.	1,802,365,756.
Ottoman Bank (Jordan)	Dinars	1,418,504.467	16,162.961
Bank of Korea	Hwan	2,312,500,000.00	31,250,000.00
Banque de Syrie et du Liban (Lebanon)	Pounds	7,000,000.00	363,988.41
National Bank of Libya	Pounds	2,758,649.416	32,200.998
Caisse d'Epargne de l'Etat (Luxembourg)	Francs	507,626,334.	5,507,790.
Central Bank of Malaya	Dollars	11,096,922.50	372,993.01
Banco de México	Pesos		1,687,500,087.59
Banque du Maroc	Dirhams	234,661,163.26	2,659,371.60
De Nederlandsche Bank N.V.	Guilders	987,000,000.00	15,256,023.00
Banco Central de Nicaragua	Córdobas		69,562,108.14
Norges Bank	Kroner	528,357,542.23	7,194,270.88
State Bank of Pakistan	Rupees	630,841,698.00	66,640,287.84
Banco Nacional de Panama	Balboas	369,000.00	5,785.98
Banco Central del Paraguay	Guaranies		1,463,639,680.32
Banco Central de Reserva del Peru	Soles	597,262,564.03	8,075,785.61
Central Bank of the Philippines	Pesos	59,500,000.00	71,322,107.64
Saudi Arabian Monetary Agency	Riyals	183,139,882.20	2,479,464.00
Banco de España	Pesetas	7,000,000,000.00	649,824,083.80
Bank of Sudan	Pounds	6,717,526.617	52,483.081
Sveriges Riksbank	Kronor		581,806,358.90
Bank of Thailand	Baht	505,029,000.00	6,841,901.60
Banque Centrale de Tunisie	Dinars	1,304,000.000	19,529.408
Banque Centrale de la République de Turquie	Liras	787,887,759.47	84,150,111.44
South African Reserve Bank	Rand	79,254,130.59	27,885,569.22
Central Bank of Egypt (United Arab Republic—Egyptian Region)	Pounds	23,294,134.660	15,012,497.474
Banque Centrale de Syrie (United Arab Republic—Syrian Region)	Pounds	24,317,697.01	33,207,461.12
Bank of England	Pounds	499,800,000.0.0	6,974,813.3.11
Federal Reserve Bank of New York	Dollars	2,549,000,000.00	20,700,187.97
Riggs National Bank of Washington, D.C.[4]	Dollars		186,748.55
Banco de la República Oriental del Uruguay	Pesos	164,269,653.32	
Banco Central de Venezuela	Bolívares	371,808,449.88	5,032,430.68
National Bank of Viet-Nam	Piastres		105,000,000.00
Banque Nationale de la République Fédérative Populaire de Yougoslavie	Dinars		50,283,627,759.
TOTALS (in U.S. dollar equivalents)		$8,746,669,390.33	$2,204,116,607.97

[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.

Schedule 2
(*concluded*)

SECURITIES
30, 1961

Members' Currencies					
Totals	Currency Adjustments[1] Receivable (+) or Payable (—)	Totals After Currency Adjustments	Exchange Rates[2]	U.S. Dollar Equivalents	Per Cent of Quota
134,998,731,974.		134,998,731,974.	360.000	374,996,477.70	75.0
1,434,667.428		1,434,667.428	280.000†	4,017,068.80	89.3
2,343,750,000.00		2,343,750,000.00	500.000*	4,687,500.00[3]	—
7,363,988.41		7,363,988.41	2.19148	3,360,280.92	74.7
2,790,850.414		2,790,850.414	280.000†	7,814,381.16	86.8
513,134,124.		513,134,124.	50.0000	10,262,682.48	93.3
11,469,915.51		11,469,915.51	3.06122*	3,746,844.56[3]	—
1,687,500,087.59		1,687,500,087.59	12.5000	135,000,007.00	75.0
237,320,534.86		237,320,534.86	5.06049	46,896,750.08	89.3
1,002,256,023.00		1,002,256,023.00	3.62000	276,866,304.69	67.1
69,562,108.14		69,562,108.14	7.00000	9,937,444.02	88.3
535,551,813.11		535,551,813.11	14.0000†	74,977,253.84	75.0
697,481,985.84		697,481,985.84	21.0000†	146,471,217.02	97.6
374,785.98		374,785.98	1.00000	374,785.98	75.0
1,463,639,680.32		1,463,639,680.32	122.000*	11,997,046.56	120.0
605,338,349.64	—2,249,913.19	603,088,436.45	26.8050*	22,499,102.27	75.0
130,822,107.64		130,822,107.64	2.00000	65,411,053.82	87.2
185,619,346.20		185,619,346.20	4.50000	41,248,743.60	75.0
7,649,824,083.80		7,649,824,083.80	60.0000	127,497,068.06	85.0
6,770,009.698		6,770,009.698	287.156†	19,440,489.04	129.6
581,806,358.90		581,806,358.90	5.17321	112,465,250.56	75.0
511,870,901.60		511,870,901.60	21.0000*	24,374,804.83[3]	—
1,323,529.408		1,323,529.408	238.000†*	3,150,000.00[3]	—
872,037,870.91		872,037,870.91	9.00000	96,893,096.77	112.7
107,139,699.81		107,139,699.81	140.000†	149,995,579.74	99.9
38,306,632.134		38,306,632.134	287.156†	109,999,792.57	122.2
57,525,158.13		57,525,158.13	2.19148	26,249,456.14	175.0
506,774,813.3.11		506,774,813.3.11	280.000†	1,418,969,476.95	72.8
2,569,700,187.97		2,569,700,187.97	1.00000	2,569,700,187.97	} 62.3
186,748.55		186,748.55	1.00000	186,748.55	
164,269,653.32		164,269,653.32	7.40000	22,198,601.80	—
376,840,880.56		376,840,880.56	3.35000	112,489,815.09	75.0
105,000,000.00		105,000,000.00	35.0000*	3,000,000.00[3]	—
50,283,627,759.		50,283,627,759.	300.000	167,612,092.53	139.7
$10,950,785,998.30	+$9,284,262.70	$10,960,070,261.00		$10,960,070,261.00	

[3] Represents currency paid in respect of an increase in quota.
[4] Checking accounts are maintained with Riggs National Bank of Washington, D.C., for the purpose of making local payments for administrative expenditures.

Status of Subscriptions to Capital

as at April 30, 1961

(Expressed in U.S. dollars)

Members	Quotas	Payments on Subscriptions			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)
Afghanistan	$ 22,500,000.00		$ 5,625,027.46	$ 9,375,000.00[2]		$ 7,499,972.54
Argentina	280,000,000.00		70,000,247.02	209,999,752.98		
Australia	400,000,000.00		58,404,975.93	341,595,024.07		
Austria	75,000,000,00		11,250,003.72	63,749,996.28		
Belgium	337,500,000.00	$ 22,500.00	84,352,500.00	253,125,000.00		
Bolivia	22,500,000.00	1,000.00	5,625,040.06	16,873,959.94		
Brazil	280,000,000.00	15,000.00	69,985,030.14	209,999,969.86		
Burma	30,000,000.00		4,250,369.14	25,749,630.86		
Canada	550,000,000.00	30,000.00	137,470,000.00	412,500,000.00		
Ceylon	45,000,000.00		8,251,013.06	36,748,986.94		
Chile	100,000,000.00	5,000.00	21,313,013.93	78,681,986.07		
China	550,000,000.00	55,000.00				549,945,000.00
Colombia	100,000,000.00	5,000.00	24,995,150.61	74,999,849.39		
Costa Rica	5,500,000.00	500.00	498,700.09	5,000,799.91		
Cuba	50,000,000.00	5,000.00	12,495,386.36	37,499,613.64		
Denmark	130,000,000.00	6,800.00	21,434,983.32	108,558,216.68		
Dominican Republic	15,000,000.00	500.00	3,749,544.56	11,249,955.44		
Ecuador	15,000,000.00	500.00	3,749,983.79	11,249,516.21		
El Salvador	11,250,000.00	250.00	2,812,287.80	8,437,462.20		
Ethiopia	9,600,000.00	600.00	961,752.22	8,637,647.78		
Finland	57,000,000.00		5,510,222.44	51,489,777.56		
France	787,500,000.00	52,500.00	173,681,306.15	613,766,193.85		
Germany, Federal Republic of	787,500,000.00		147,384,651.50	640,115,348.50		
Ghana	35,000,000.00		5,529,920.65	29,470,079.35		
Greece	60,000,000.00	4,000.00	14,996,002.95	44,999,997.05		
Guatemala	15,000,000.00	500.00	3,749,559.81	11,249,940.19		
Haiti	11,250,000.00		2,812,839.10	8,437,160.90		
Honduras	11,250,000.00	250.00	2,812,309.44	8.437,440.56		
Iceland	11,250,000.00	100.00	2,812,400.28	8.437,499.72		
India	600,000,000.00	40,000.00	77,486,453.61	522,473,546.39		
Indonesia	165,000,000.00		29,250,030.70	125,740,969.30[2]		

Iran	70,000,000.00	2,500.00	17,514,707.14			
Iraq	15,000,000.00	800.00	1,750,036.19	13,249,163.81		
Ireland	45,000,000.00		8,253,488.74	36,746,511.26		
Israel	25,000,000.00		6,250,047.56	18,749,952.44		
Italy	270,000,000.00	18,000.00	67,482,000.18	202,499,999.82		
Japan	500,000,000.00		125,000,093.99	374,999,906.01		
Jordan	4,500,000.00		472,617.49	4,027,382.51		
Korea	18,750,000.00		4,687,525.02	4,687,500.00[2]		9,374,974.98
Lebanon	4,500,000.00	450.00	267,415.12	4,232,134.88		
Libya	9,000,000.00		1,181,661.63	7,818,338.37		
Luxembourg	11,000,000.00	1,000.00	729,995.96	10,269,004.04		
Malaya	30,000,000.00		2,125,010.50	3,750,000.00[2]		24,124,989.50
Mexico	180,000,000.00	9,000.00	44,991,205.14	134,999,794.86		
Morocco	52,500,000.00		5,600,000.00	46,900,000.00		
Netherlands	412,500,000.00	27,500.00	103,097,500.00	309,375,000.00		
Nicaragua	11,250,000.00	200.00	2,812,475.62	8,437,324.38		
Nigeria	50,000,000.00		5,000,076.87			44,999,923.13
Norway	100,000,000.00	5,000.00	24,995,054.90	74,999,945.10		
Pakistan	150,000,000.00		16,000,607.22	133,999,392.78		
Panama	500,000.00	50.00	124,950.25	374,999.75		
Paraguay	10,000,000.00	200.00	2,500,496.47	7,499,303.53		
Peru	30,000,000.00	2,500.00	4,399,921.00	25,597,579.00		
Philippines	75,000,000.00	1,500.00	18,748,548.79	56,249,951.21		
Portugal	60,000,000.00		15,000,024.69			44,999,975.31
Saudi Arabia	55,000,000.00		13,751,248.40	41,248,751.60		
Spain	150,000,000.00		22,500,001.34	127,499,998.66		
Sudan	15,000,000.00		1,600,374.01	13,399,625.99		
Sweden	150,000,000.00		29,500,086.78	120,499,913.22		
Thailand	45,000,000.00		11,250,008.14	24,375,000.00[2]		9,374,991.86
Tunisia	14,100,000.00		945,001.02	1,575,000.00[2]		11,579,998.98
Turkey	86,000,000.00	4,300.00	21,495,912.23	64,499,787.77		
Union of South Africa	150,000,000.00	10,000.00	37,494,519.20	112,495,480.80		
United Arab Republic						
Egyptian Region	90,000,000.00	4,500.00	16,984,075.69	73,011,424.31		
Syrian Region	15,000,000.00	650.00	2,294,187.17	12,705,162.83		
United Kingdom	1,950,000,000.00	130,000.00	398,635,323.70	1,551,234,676.30		
United States	4,125,000,000.00	275,000.00	1,031,250,000.51	3,093,474,999.49		
Uruguay	15,000,000.00	1,500.00	3,748,643.15	11,249,856.85		
Venezuela	150,000,000.00	1,500.00	37,498,664.21	112,499,835.79		
Viet-Nam	16,500,000.00		4,125,004.30	3,000,000.00[2]		9,374,995.70
Yugoslavia	120,000,000.00	6,000.00	22,896,966.11	97,097,033.89		
TOTALS	$14,850,700,000.00	$747,150.00	$3,148,206,182.27	$10,990,471,845.73	—	$711,274,822.00

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

[2] Accepted at a provisional rate, subject to such adjustment as may be necessary when a par value for the member's currency is agreed upon.

Schedule 4

Other Assets
as at April 30, 1961

Accounts Receivable—Members		$2,940,931.74
Accrued Income from Investments		6,126,520.44
Sundry Debtors		140,660.27
Prepayments and Deferred Charges		49,042.96
Sundry Cash		15,799.16
Fixed Property		
At cost	$5,728,686.15	
Less: Reserve	5,728,686.15	—
Furniture, Equipment, and Automobiles		
At cost	$869,422.63	
Less: Reserve	869,422.63	—
Libraries		
At cost	$84,226.04	
Less: Reserve	84,226.04	—
Total Other Assets (carried to Balance Sheet)		$9,272,954.57

Schedule 5

Other Liabilities
as at April 30, 1961

Accruals	$327,036.98
Accounts Payable	13,500.58
Deferred Credits	16,684.93
Total Other Liabilities (carried to Balance Sheet)	$357,222.49

Status of Subscriptions in Respect of Increases in Quotas Consented to but Not Yet Effective

as at April 30, 1961

(Expressed in U.S. dollars)

Members	Quota Increases Consented to	Payments on Subscriptions			Subscriptions Due[1]	Subscriptions Not Due[2]
		Paid in Gold	Paid in Member's Currency and/or Securities	Totals		
Cuba	$50,000,000.00	—	—	—	$50,000,000.00	—
Tunisia	2,100,000.00[2]	—	$ 1,575,000.00	$ 1,575,000.00	—	$525,000.00
Uruguay	15,000,000.00	$3,750,000.00	10,948,744.95	14,698,744.95	301,255.05	—
Totals	$67,100,000.00	$3,750,000.00	$12,523,744.95	$16,273,744.95	$50,301,255.05	$525,000.00

[1] Thirty-day period expired.
[2] Represents second of five installments.

Staff Retirement Fund

Memorandum by the Audit Committee

June 23, 1961

To the Managing Director
and the Executive Directors
International Monetary Fund

The report of the Audit Committee, dated June 23, 1961, submitted through you to the Board of Governors, on the audit of the financial records and transactions of the International Monetary Fund for the fiscal year ended April 30, 1961, includes the following paragraphs relating to the scope of the audit conducted, the investments held, and the audit certificate given with respect to the Staff Retirement Fund:

Scope of the Audit

An examination was made by the Audit Committee of the separate accounts and financial statements relating to the Staff Retirement Fund for the fiscal year ended April 30, 1961. In the course of the examination, the Committee referred to the Articles of the Staff Retirement Plan and to the decisions of the Pension, Administration and Investment Committees created under the Plan. The Audit Committee made what it considered an adequate test check of the various classes of transactions, taking into account the audit coverage made by the Internal Auditor, as reported by him to the Committee. The report of the Internal Auditor, among other audit activities conducted by his staff, showed that a detailed examination had been made of the Participants' Accounts.

Investments

A confirmation was received by the Audit Committee directly from the depository concerning the investments held by it as at April 30, 1961, as custodian for the International Monetary Fund Staff Retirement Plan. The Audit Committee ascertained that the holdings of the various classes of investments were within the limiting percentages prescribed by the Pension Committee, as follows:

	Authorized Percentage	*Actual Percentage*	*Book Value*
Bonds:			
U.S. Government	Minimum 30	36.00	$3,328,185
International Bank for Reconstruction and Development	Maximum 20	13.98	1,292,410
Corporate (other than convertible)	Maximum 25	17.83	1,648,210
Corporate convertible	Maximum 5	—	—
Corporate stocks	Maximum 35	32.19	2,975,557
Totals		100.00	$9,244,362

It was determined that due consideration to the advice of the Investment Consultant had been given by the Investment Committee in reaching decisions in regard to purchases and sales of investments.

Audit Certificate

As a result of our examination of the separate accounts and financial statements relating to the Staff Retirement Fund for the fiscal year ended April 30, 1961, we report that, in our opinion, the Balance Sheet, Statement of Source and Application of Funds, and the related Statements of Participants' Account, Accumulation Account, Retirement Reserve Account and Reserve Against Investments, present fairly the financial position of the Staff Retirement Fund as at April 30, 1961, 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.

Audit Committee:

/s/ Takeo Yumoto, Chairman (Japan)

/s/ Savino Spinosi (Italy)

/s/ Samuel J. Elson (United States)

Appendix IX (*continued*)

Exhibit I

STAFF RETIREMENT FUND
BALANCE SHEET
as at April 30, 1961

ASSETS

CASH AT BANKS			$ 9,695.99
INVESTMENTS			
Bonds, at amortized value			
United States Government (*market value, $3,419,861*)	$3,328,185.20		
International Bank for Reconstruction and Development (*market value, $1,307,695*)	1,292,410.17		
Commercial (*market value, $1,461,450*)	1,648,209.42	$6,268,804.79	
Corporate stocks (common), at cost (*market value, $4,328,319*)		2,975,557.33	9,244,362.12
ACCRUED INTEREST ON BONDS			112,522.23
ACCRUED CONTRIBUTIONS FROM PARTICIPANTS AND EMPLOYER			23,401.89
TOTAL ASSETS			$9,389,982.23

LIABILITIES AND RESERVES

ACCOUNTS PAYABLE	$ 3,236.66
PARTICIPANTS' ACCOUNT (Exhibit III)	1,977,940.93
ACCUMULATION ACCOUNT (Exhibit IV)	6,375,120.95
RETIREMENT RESERVE ACCOUNT (Exhibit V)	749,281.28
RESERVE AGAINST INVESTMENTS (Exhibit VI)	284,402.41
TOTAL LIABILITIES AND RESERVES	$9,389,982.23

/s/ Y. C. KOO
Treasurer

/s/PER JACOBSSON
Managing Director

/s/ C. M. POWELL
Comptroller and Assistant Treasurer

Exhibit II

STAFF RETIREMENT FUND
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the year ended April 30, 1961

FUNDS PROVIDED		
By Income		
Participants' contributions		
Prior service	$ 166.01	
Participating service	272,487.10	
Additional voluntary contributions	4,630.00	$ 277,283.11
Employer's contributions		544,976.57
Income from Investments	$370,988.52	
Less: Amortization of bond discounts and premiums (net)	5,485.47	365,503.05
Transfers from IBRD Retirement Plan		14,215.63
Refund by participant restored to service		2,255.58
Total Income		$1,204,233.94
By Investments		
Sales and redemptions of investments (book value)		
U.S. Treasury bonds	$3,320,714.95	
IBRD bonds	33,211.05	
Corporate stocks	348.65	3,354,274.65
By Profits from Sales and Redemptions of Investments (net), Transferred to Reserve Against Investments		13,982.75
TOTAL FUNDS PROVIDED		$4,572,491.34
FUNDS APPLIED		
To Withdrawals, Pension Payments, and Transfers		
Payments to participants on withdrawal		$ 72,657.77
Refund of additional voluntary contributions to participant		579.14
Pension payments to		
Retired participants	$36,333.30	
Beneficiary of deceased participant	1,623.32	37,956.62
Transfers to IBRD Retirement Plan		14,668.39
Transfer to United Nations Joint Staff Pension Plan		14,551.01
Total Withdrawals, Pension Payments, and Transfers		$ 140,412.93
To Purchases of Investments		4,382,731.28
To Increase in Working Capital Between 1960 and 1961 (Schedule I)		49,347.13
TOTAL FUNDS APPLIED		$4,572,491.34

Schedule I to Exhibit II

Staff Retirement Fund

Statement of Changes in Working Capital

	April 30, 1961	April 30, 1960	Increase (+) Decrease (—)
Current Assets			
Cash	$ 9,695.99	$14,855.62	—$ 5,159.63
Accrued interest on bonds	112,522.23	58,501.03	+ 54,021.20
Accrued contributions receivable from participants and employer	23,401.89	19,679.67	+ 3,722.22
	$145,620.11	$93,036.32	+$52,583.79
Less: Current liabilities			
Accounts payable	3,236.66	—	+ 3,236.66
Working Capital (carried to Exhibit II)	$142,383.45	$93,036.32	+$49,347.13

Exhibit III

Staff Retirement Fund

Statement of Participants' Account

for the year ended April 30, 1961

	Prior Service	*Participating Service*	*Additional Contributions*
Balance, April 30, 1960	—	$1,757,585.03	$ 8,643.16
Add			
Participants' contributions	$166.01	$ 272,487.10	$ 4,630.00
Refund by participant restored to service		1,783.07	
Interest credited to participants		54,437.54	310.55
Transfers from prior service contributions		166.01	
Transfers from IBRD Retirement Plan (net)		891.47	
	$166.01	$ 329,765.19	$ 4,940.55
Deduct			
Refunds on withdrawals of participants		$ 58,048.09	$ 579.14
Transfers to Retirement Reserve Account (net)		58,939.12	1,268.62
Transfers to participating service contributions	$166.01		
Transfer to United Nations Joint Staff Pension Fund		4,158.03	
	$166.01	$ 121,145.24	$ 1,847.76
Balance, April 30, 1961	—	$1,966,204.98	$11,735.95
Total (carried to Balance Sheet)		$1,977,940.93	

Appendix IX (*continued*)

Exhibit IV

STAFF RETIREMENT FUND
STATEMENT OF ACCUMULATION ACCOUNT
for the year ended April 30, 1961

BALANCE, April 30, 1960		$5,699,323.45
Add		
Employer's contributions—participating service		544,976.57
Benefits and interest refunded by participant restored to service		472.51
Income from investments		
Interest earned on bonds	$237,518.77	
Dividends received on corporate stocks	133,469.75	
Other	464.25	371,452.77
Net profit on sale of investments	$13,982.75	
Less: Transfer to Reserve Against Investments	13,982.75	—
		$6,616,225.30
Deduct		
Transfers to Retirement Reserve Account (net)	$140,694.60	
Withdrawal benefits	14,609.68	
Interest transferred to Participants' Account	54,748.09	
Interest transferred to Retirement Reserve Account	19,314.77	
Transfers to IBRD Retirement Plan (net)	1,344.23	
Transfer to United Nations Joint Staff Pension Fund	10,392.98	241,104.35
BALANCE, April 30, 1961 (carried to Balance Sheet)		$6,375,120.95

Exhibit V

Staff Retirement Fund
Statement of Retirement Reserve Account
for the year ended April 30, 1961

BALANCE, April 30, 1960		$567,020.79
Add		
Transfers from		
Participants' Account (net)	$ 60,207.74	
Accumulation Account (net)	140,694.60	200,902.34
Interest credited		19,314.77
		$787,237.90
Deduct		
Pension payments to		
Retired participants	$36,333.30	
Beneficiary of deceased participant	1,623.32	37,956.62
BALANCE, April 30, 1961 (carried to Balance Sheet)		$749,281.28

Exhibit VI

Staff Retirement Fund
Statement of Reserve Against Investments
for the year ended April 30, 1961

BALANCE, April 30, 1960		$270,419.66
Add		
Transfer from Accumulation Account, representing		
Profits on sales of bonds	$14,840.35	
Less: Loss on sale of bonds	857.60	13,982.75
BALANCE, April 30, 1961 (carried to Balance Sheet)		$284,402.41

Appendix X. SCHEDULE OF PAR VALUES—as of June 30, 1961

A. 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
Afghanistan[1]	Afghani	Par value not yet established			
Argentina[2]	Peso				
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[3]	Boliviano				
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[1,4]	Dollar				
Ceylon	Rupee	0.186 621	166.667	4.761 90	21.000 0
Chile[5]	Escudo				
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
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	0.002 777 10	11,200.0	320.000	0.312 500
France	New Franc	0.180 000	172.797	4.937 06	20.255 0
Germany, Federal Republic of	Deutsche Mark	0.222 168	140.000	4.000 00	25.000 0
Ghana	Pound	2.488 28	12.500 0	0.357 143	280.000
Greece	Drachma	0.029 622 4	1,050.00	30.000 0	3.333 33
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	0.023 386 1	1,330.00	38.000 0	2.631 58
India	Rupee	0.186 621	166.667	4.761 90	21.000 0
Indonesia[1]	Rupiah	Par value not yet established			
Iran	Rial	0.011 731 6	2,651.25	75.750 0	1.320 13
Iraq	Dinar	2.488 28	12.500 0	0.357 143	280.000
Ireland	Pound	2.488 28	12.500 0	0.357 143	280.000
Israel	Pound	0.493 706	63.000 0	1.800 00	55.555 6
Italy	Lira	0.001 421 87	21,875.0	625.000	0.160 000
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
Korea[1]	Hwan	Par value not yet established			
Lebanon	Pound	0.405 512	76.701 8	2.191 48	45.631 3
Libya	Pound	2.488 28	12.500 0	0.357 143	280.000
Luxembourg	Franc	0.017 773 4	1,750.00	50.000 0	2.000 00
Malaya[1]	Dollar	Par value not yet established			
Mexico	Peso	0.071 093 7	437.500	12.500 0	8.000 00
Morocco	Dirham	0.175 610	177.117	5.060 49	19.760 9
Netherlands	Guilder	0.245 489	126.700	3.620 00	27.624 3
Nicaragua	Córdoba	0.126 953	245.000	7.000 00	14.285 7
Nigeria	Pound	Par value not yet established			
Norway	Krone	0.124 414	250.000	7.142 86	14.000 0
Pakistan	Rupee	0.186 621	166.667	4.761 90	21.000 0
Panama	Balboa	0.888 671	35.000 0	1.000 00	100.000
Paraguay[6]	Guaraní				
Peru[1, 7]	Sol				
Philippines	Peso	0.444 335	70.000 0	2.000 00	50.000 0
Portugal	Escudo	Par value not yet established			
Saudi Arabia	Riyal	0.197 482	157.500	4.500 00	22.222 2
South Africa	Rand	1.244 14	25.000 0	0.714 286	140.000
Spain	Peseta	0.014 811 2	2,100.00	60.000 0	1.666 67
Sudan	Pound	2.551 87	12.188 5	0.348 242	287.156
Sweden	Krona	0.171.783	181.062	5.173 21	19.330 4
Thailand[1]	Baht	Par value not yet established			
Tunisia[1]	Dinar	Par value not yet established			
Turkey	Lira	0.098 741 2	315.000	9.000 00	11.111 1
United Arab Republic					
Egyptian Region	Pound	2.551 87	12.188 5	0.348 242	287.156
Syrian Region	Pound	0.405 512	76.701 8	2.191 48	45.631 3
United Kingdom	Pound Sterling	2.488 28	12.500 0 (or 250 shillings)	0.357 143	280.000

Schedule of Par Values—as of June 30, 1961

A. Currencies of Metropolitan Areas (*concluded*)

Member	Currency	Par Values In Terms of Gold: Grams of fine gold per currency unit	Par Values In Terms of Gold: Currency units per troy ounce of fine gold	Par Values In Terms of U.S. Dollars: Currency units per U.S. dollar	Par Values In Terms of U.S. Dollars: U.S. cents per currency unit
United States	Dollar	0.888 671	35.000 0	1.000 00	100.000
Uruguay	Peso	0.120 091	259.000	7.400 00	13.513 5
Venezuela	Bolívar	0.265 275	117.250	3.350 00	29.850 7
Viet-Nam[1]	Piastre	Par value not yet established			
Yugoslavia	Dinar	0.002 962 24	10,500.0	300.000	0.333 333

[1] For the rate at which Fund holdings of the member's currency are provisionally carried in the Fund's accounts, see Note 1 to the Balance Sheet (Appendix IX, Exhibit A).

[2] The par value agreed by the Government of Argentina and the Fund as of January 9, 1957 was 0.0493706 gram of fine gold per peso or 5.55556 U.S. cents per peso. Computations by the Fund involving Argentine pesos are made at the rate of 83 pesos per U.S. dollar.

[3] The par value agreed by the Government of Bolivia and the Fund as of May 14, 1953 was 0.00467722 gram of fine gold per boliviano or 0.526316 U.S. cent per boliviano. Computations by the Fund involving bolivianos are made at the rate of 11,875 bolivianos per U.S. dollar.

[4] The par value agreed by the Government of Canada and the Fund as of September 19, 1949 was 0.807883 gram of fine gold per dollar or 90.9091 U.S. cents per dollar. On September 30, 1950, Canada introduced a new exchange system under which the exchange value of the dollar is 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. Computations by the Fund involving Canadian dollars are made in accordance with the rules on transactions and computations for fluctuating currencies published on pages 125-27 of the 1955 *Annual Report*.

[5] The par value agreed by the Government of Chile and the Fund as of October 5, 1953 was 0.00807883 gram of fine gold per peso or 0.909091 U.S. cent per peso. Effective January 1, 1960, the Government of Chile established a new monetary unit, the escudo, having a ratio to the peso, which remains a fractional unit, of 1 to 1,000. Computations by the Fund involving Chilean escudos are made at the rate of 1.049 escudos per U.S. dollar.

[6] The par value agreed by the Government of Paraguay and the Fund as of March 1, 1956 was 0.0148112 gram of fine gold per guaraní or 1.66667 U.S. cents per guaraní. Computations by the Fund involving guaraníes are made at the rate of 122 guaraníes per U.S. dollar.

[7] The initial par value of the sol, established on December 18, 1946, was 0.136719 gram of fine gold per sol or 15.3846 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. Computations by the Fund involving Peruvian soles are made in accordance with the rules on transactions and computations for fluctuating currencies published on pages 125-27 of the 1955 *Annual Report*.

B. Separate Currencies in Nonmetropolitan Areas of Members

Member and N nmetropolitan 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					
Ruanda-Urundi	Franc (parity with Belgian franc)	0.017 773 4	1,750.00	50.000 0	2.000 00
FRANCE					
Algeria	New Franc (parity with French new franc)	0.180 000	172.797	4.937 06	20.255 0
French Guiana Guadeloupe Martinique	Franc (= 0.01 French new franc)	0.001 800 00	17,279.7	493.706	0.202 550
Comoro Islands Réunion St. Pierre and Miquelon	CFA Franc (= 0.02 French new franc)	0.003 600 00	8,639.86	246.853	0.405 099
French Polynesia New Caledonia New Hebrides Wallis and Futuna Islands	CFP Franc (= 0.055 French new franc)	0.009 900 00	3,141.77	89.764 7	1.114 02
French Somaliland	Djibouti Franc	0.004 145 07	7,503.73	214.392	0.466 435

SCHEDULE OF PAR VALUES—as of June 30, 1961

B. SEPARATE CURRENCIES IN NONMETROPOLITAN AREAS OF MEMBERS (*concluded*)

		Par Values In Terms of Gold		Par Values In Terms of U.S. Dollars	
Member and Nonmetropolitan Areas	Currency and Relation to Metropolitan Unit	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
NETHERLANDS					
Netherlands Antilles	Guilder (= 1.919 555 Netherlands guilders)	0.471 230	66.004 9	1.885 85	53.026 4
Netherlands New Guinea	Guilder	Par value not yet established			
Surinam	Guilder (= 1.919 555 Netherlands guilders)	0.471 230	66.004 9	1.885 85	53.026 4
UNITED KINGDOM					
Gambia	British West African Pound[1]				
Federation of Rhodesia and Nyasaland	Rhodesia and Nyasaland Pound[1]				
Bahamas	Bahamas Pound[1]	2.488 28	12.500 0	0.357 143	280.000
Bermuda	Bermuda Pound[1]				
Falkland Islands	Falkland Islands Pound[1]				
Gibraltar	Gibraltar Pound[1]				
Jamaica	Jamaican Pound[1]				
Malta	Maltese Pound[1]				

Aden 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 Sarawak Singapore	Malayan Dollar (8.571 43 per pound sterling, or 2 shillings 4 pence per Malayan dollar)	0.290 299	107.143	3.061 22	32.666 7
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 Seychelles	Mauritius Rupee (13⅓ per pound sterling) Seychelles Rupee (13⅓ per pound sterling)	0.186 621	166.667	4.761 90	21.000 0
Tonga	Tongan Pound (1.250 00 per pound sterling)	1.990 62	15.625 0	0.446 429	224.000

[1] Parity with sterling.

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