

position of sterling and to the confidence movements accounting for so much of its present difficulty. Nonetheless, what was done by the Board cannot be disregarded in the history of the Fund's policy on the use of its resources. In this connection you will remember that Sol, who represents the Central American countries, said that the division of members' quotas into tranches had lost most of its significance "as the present case proved", and that the Fund's policy was now a liberal one both as regards large and small quotas. Moreover, Pinto said that in giving the U.K. support up to 100% of its quota the Fund was embarking on "a new phase of its own existence".

In the discussion, Liefstinck and Toussaint showed considerable interest in what Harcourt had said in his introductory statement about the currencies which might be purchased if a drawing became necessary under the Stand-by Agreement. Liefstinck enquired whether it was known what currencies might have to be drawn and expressed the hope that U.K. purchases of other members' currencies would not cause difficulties to members, who might at the time themselves be in a delicate payments situation as a result of international developments. Toussaint (Belgium) was more explicit. Speaking personally, he said he hoped and expected that a drawing would not become necessary under the stand-by. However, if the need arose and a decision was taken to draw in "other currencies" he took it that due consideration would be given to the situation in countries whose currencies might be drawn and he assumed that there would be full consultation on any such drawings. Harcourt, in reply to this discussion, re-emphasized that careful consideration would be given to currencies in which drawings might have to be made and went on to say that the U.K. "certainly would not intend to draw without ample consultation" with the country involved. Incidentally, you will recall that at this point in the discussion Southard intervened to say that the U.S. authorities were satisfied that on the occasion of the present drawing rule G-4 had been fully complied with. This is the rule which says that when a member expects to purchase an unusually large sum of any other member's currency, relative to the quota of that member, it shall give the Fund "as much notice of the proposed transaction or transactions as can reasonably be effected". Southard's intervention was in response to Liefstinck's expression of hope that the U.K.'s drawing, or possible future drawings under the Stand-by, would not cause difficulties to the members concerned. The implication of his comment would seem to be that in the U.S. view, notice to the Fund logically also involves notice to and consultation with the member whose currency is to be drawn.

Liefstinck asked, as a matter of information, whether an estimate could be given of the amount of overseas sterling holdings (Table 19 of SM/56/83) which might be regarded as demand liabilities. The reply was that the amount of sterling held by overseas countries as working balances could vary from time to time and that even sterling held by certain countries as a statutory currency reserve could also be varied by legislation. Accordingly, no precise answer could be given to the question and in the U.K. view an attempt to do so would not be profitable or meaningful.

As a special point in our statement, you assumed that the U.K. authorities would wish to keep the Fund fully and speedily informed of developments in the United Kingdom's economic situation and policies. You went on to suggest that the Fund, having committed so much of its resources, would have a duty to keep fully abreast of the U.K. position as it developed. No other speaker emphasized the desirability of the Fund keeping actively in touch with the U.K. (and vice versa) in the coming period. However, the new Director for the Argentine did suggest that in addition to giving the U.K. financial assistance it would be helpful if the Fund kept in close contact with it and with other countries adversely affected by recent developments in the Suez area.