

be entirely in the form of a guarantee. Canada's subscription will be raised from \$325 million to \$750 million involving a payment of \$1 million in gold and \$9 million in non-interest bearing notes. The United States guarantee, which has so important a bearing on the Bank's ability to borrow, will rise from \$2,540 million to \$5,715 million.

The proposed general increase in Fund quotas by 50 per cent, together with special additional increases of \$100 million, \$292.5 million and \$125 million for Canada, Germany and Japan respectively would add \$5.1 billion to the Fund's resources bringing total quotas to \$14,307 million. All quota increases would be paid on the original basis of 25 per cent in gold and 75 per cent in members' currencies. The Fund's holdings of gold and U.S. dollars would double from \$2.3 billion on December 31, 1958 to 4.6 billion. Canada's quota would be increased from \$300 million to \$550 million involving a payment of U.S. \$62.5 million in gold and an amount equivalent to U.S. \$187.5 million in non-interest-bearing Government notes. These increases in the Fund's resources are conditional on member countries having 75 per cent of the total of present quotas consenting to the increases in their individual quotas before September 15, 1959 and the increases in the Bank subscriptions are likewise conditional on their acceptance by a large majority.

Fund Activities

The basic premise on which the Fund was established is that orderly exchange arrangements are necessary in a world increasingly dependent on international trade and investment. Standards of fair exchange practice are accordingly set out in the Fund Agreement and the Fund's resources in gold and currencies are used to give temporary assistance to its members. From the inception of its operations on March 1, 1947 until December 31, 1958, the Fund effected transactions equivalent to \$3,224.0 million on behalf of 37 members. Most of these transactions were in U.S. dollars but the Fund also advanced sterling, Deutsche mark, Canadian dollars, Belgian francs and Netherlands guilders to its members. The only drawing of Canadian dollars occurred in September, 1956 when Egypt drew \$15 million. Canada has not had occasion to draw on the Fund's resources. During 1958, a year of relative exchange balance, the total of drawings in the Fund was \$337.9 million compared with record drawings of \$977.1 million in the previous year. Undrawn credits available to members under stand-by arrangements, which allow a member to purchase currencies up to a stated amount within a stated period without further examination of its economic position, amounted to \$911.3 million at the end of 1958.

Members using the Fund's resources are expected to repay the Fund within a period suited to their payments problem, not in excess of three years and, as a general rule, with an outside limit of five years. As of December 31, 1958 \$1,664.4 million of the Fund's total transactions had been repaid.

Without help from the Fund during the past few years some members would probably have felt obliged to resort to more stringent restrictions and discrimination. The availability of Fund resources should encourage members to rely more on financial policy and less on direct controls as instruments for maintaining international and domestic equilibrium, and, as their payments position improves, to move more rapidly than they otherwise would towards relaxation of restrictions and discrimination.