

Statement No. 76

November 14, 1967

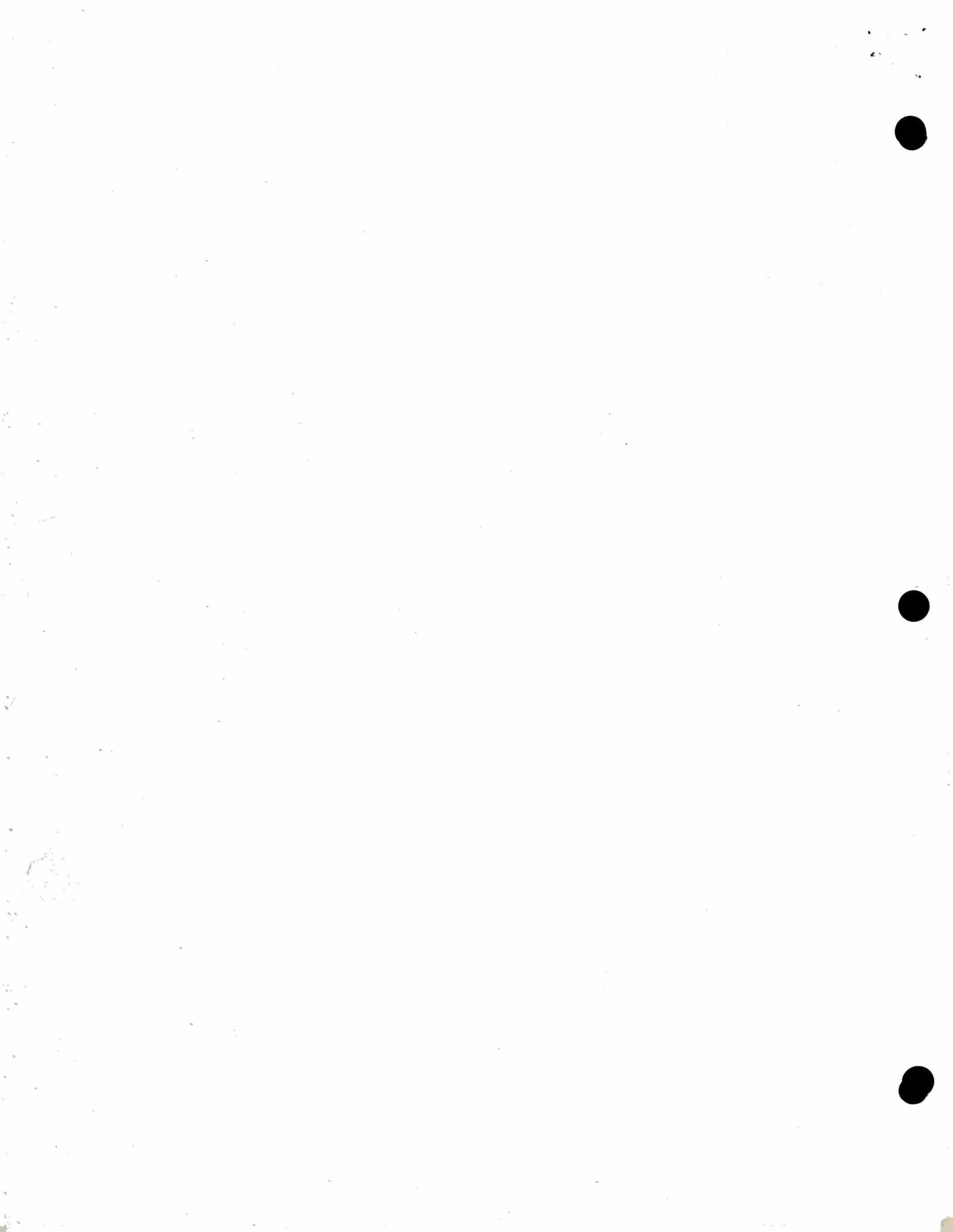
Resumed Forty-Third Session of ECOSOC
Item 6(b)

REPORT OF THE INTERNATIONAL MONETARY FUND

STATEMENT BY THE CANADIAN REPRESENTATIVE
AMBASSADOR BRUCE RANKIN

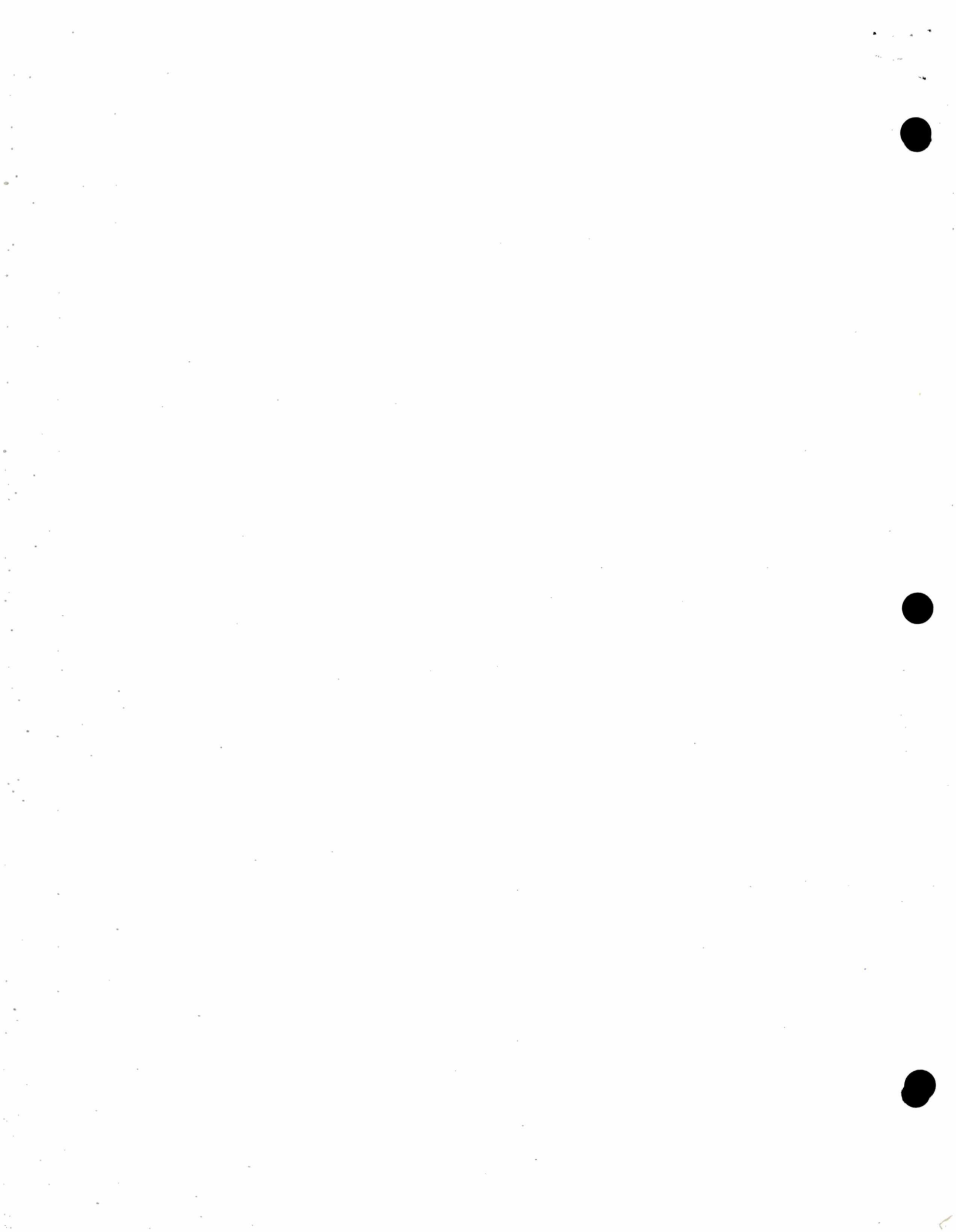
MR. PRESIDENT,

I WOULD WISH TO JOIN WITH OTHERS IN COMMENDING THE MANAGING DIRECTOR OF THE FUND ON THE EXCELLENT REPORT WHICH HE DELIVERED TO THE COUNCIL. THE PAST YEAR HAS INDEED BEEN ONE OF INTENSIVE ACTIVITY FOR THE FUND IN RELATION TO ITS TRANSACTIONS, ITS CONSULTATIONS WITH MEMBERS, ITS TECHNICAL ASSISTANCE PROGRAM AND ITS STUDIES ON INTERNATIONAL LIQUIDITY. REFERENCE HAS BEEN MADE IN PARTICULAR TO THE INCREASE IN DRAWINGS UNDER THE FUND'S COMPENSATORY FINANCING FACILITY AND THE FURTHER WIDENING OF THE RANGE OF CURRENCIES USED IN FUND DRAWINGS DURING THE PERIOD UNDER REVIEW. UNDOUBTEDLY THE MAJOR EVENT IN INTERNATIONAL MONETARY AFFAIRS OVER THE PAST YEAR, HOWEVER, HAS BEEN THE AGREEMENT ON THE OUTLINE OF A SCHEME TO SUPPLEMENT EXISTING RESERVES BY THE CREATION OF SPECIAL DRAWING RIGHTS IN THE FUND. AFTER FOUR YEARS OF INTENSIVE STUDY AND NEGOTIATION THE BOARD OF GOVERNORS OF THE INTERNATIONAL MONETARY FUND AT THEIR RECENT MEETING IN RIO EXPRESSED THEIR SUPPORT FOR THE OUTLINE OF THE NEW FACILITY. IN THESE NEGOTIATIONS CANADA WAS AN ACTIVE PARTICIPANT. INTERNATIONAL AGREEMENT ON THE PLAN FOR SPECIAL DRAWING RIGHTS



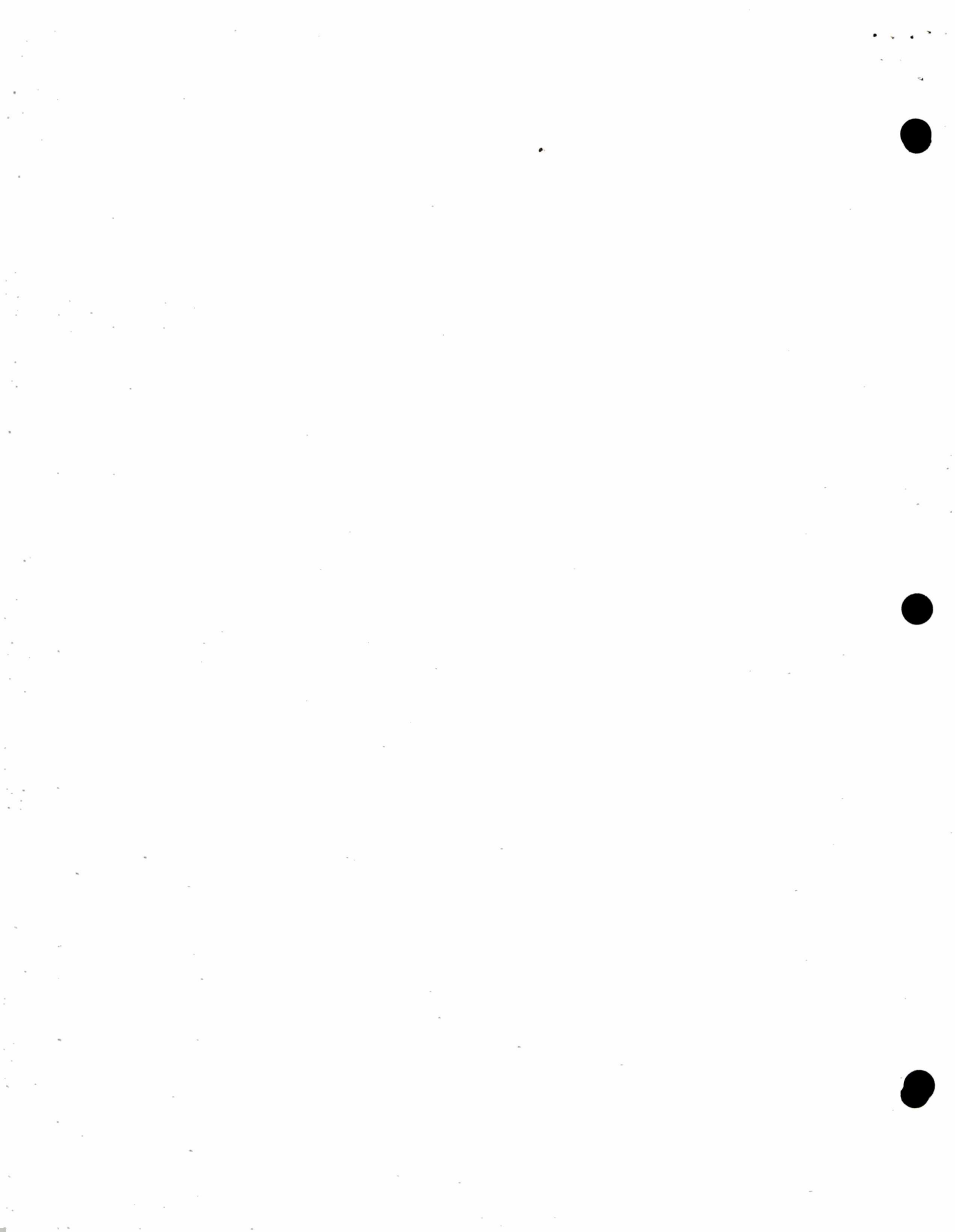
HAS BEEN ACCURATELY CHARACTERIZED BY MR. SCHWEITZER AS THE MOST SIGNIFICANT DEVELOPMENT IN INTERNATIONAL COOPERATION SINCE BRETTON WOODS AND AS A LANDMARK IN THE EVOLUTION OF THE INTERNATIONAL MONETARY SYSTEM. WE WOULD NOW HOPE THAT THE NEW ARTICLES NECESSARY TO IMPLEMENT THE ARRANGEMENT WILL SOON BE READY FOR GOVERNMENTS AND WILL RECEIVE SPEEDY RATIFICATION BY THEM.

WE ARE ALL AGREED ON THE NEED TO ACHIEVE AN INTERNATIONAL PAYMENTS SYSTEM WHICH WILL ENCOURAGE THE SMOOTH GROWTH OF WORLD TRADE AND CAPITAL FLOWS. FOR THIS TO BE ACCOMPLISHED, COUNTRIES MUST SO MANAGE THEIR AFFAIRS THAT IMBALANCES IN THEIR INTERNATIONAL PAYMENTS POSITION CAN BE KEPT WITHIN ACCEPTABLE LIMITS BY MEANS THAT ARE NOT DISRUPTIVE OF WORLD TRADE OR CAPITAL FLOWS. THE PROBLEMS INVOLVED IN ACHIEVING AND MAINTAINING A REASONABLE DEGREE OF PAYMENTS BALANCE ARE OF COURSE EXTREMELY COMPLICATED AND DIFFICULT. TO ACCOMPLISH THIS OBJECTIVE, COUNTRIES MUST HAVE ACCESS TO INTERNATIONAL RESERVES OR OTHER SOURCES OF EXTERNAL FINANCE TO PROVIDE TIME FOR THEM TO ACHIEVE ORDERLY ADJUSTMENTS IN THEIR EXTERNAL POSITIONS. HOWEVER, WHILE THE SYSTEM MUST PROVIDE FOR AN ADEQUATE GROWTH IN RESERVES, THE ARRANGEMENTS GOVERNING THE VOLUME OF INTERNATIONAL RESERVES AND ACCESS TO CREDIT SHOULD NOT IN ANY WAY ENABLE COUNTRIES TO POSTPONE ACTION TO DEAL WITH EMERGING EXTERNAL IMBALANCES. THE TOTAL VOLUME OF INTERNATIONAL RESERVES IN THE HANDS OF NATIONAL MONETARY AUTHORITIES HAS THUS FAR BEEN BASICALLY DEPENDENT ON THE SUPPLY OF GOLD/RESERVE PURPOSES AND THE BALANCE OF PAYMENTS POSITIONS AND RESERVE POLICIES OF A



HANDFUL OF MAJOR COUNTRIES. THERE HAS BEEN A GROWING RECOGNITION THAT THIS SYSTEM IS INADEQUATE IN TODAY'S WORLD. A NUMBER OF AD HOC ARRANGEMENTS HAVE BEEN DEvised IN RECENT YEARS WHICH HAVE SUCCEEDED IN SHORING UP THE SYSTEM WHEN IT WAS THREATENED BY SUDDEN SHOCKS. BUT BASICALLY IT WAS FELT THAT THE INTERNATIONAL MONETARY SYSTEM NEEDED TO BE STRENGTHENED BY IMPROVING A FACILITY FOR THE DELIBERATE CREATION OF RESERVES. THE OUTLINE OF THE SCHEME WHICH WAS APPROVED IN RIO PROVIDES FOR THIS PURPOSE. IT WILL GIVE THE FUND A SEPERATE AND MAJOR NEW TASK--TO SUPPLY THE WORLD WITH THE AMOUNT OF RESERVES THAT THE INTERNATIONAL FINANCIAL COMMUNITY WILL JUDGE TO BE NECESSARY. THE BREADTH OF MEMBERSHIP OF THE FUND ENSURES THAT THE REGULATION OF THE SUPPLY OF LIQUIDITY IN THE WORLD WILL BE RESPONSIVE TO THE NEEDS OF THE WHOLE SYSTEM. THE AMOUNTS ACTUALLY TO BE CREATED WILL BE DECIDED LATER FOR A FIVE-YEAR PERIOD ON THE BASIS OF THE ANTICIPATED OVERALL NEEDS OF MEMBER COUNTRIES AND THE ACTUAL AND PROSPECTIVE SUPPLY OF GOLD AND RESERVE CURRENCIES.

I SHOULD ADD, HOWEVER, THAT THE ESTABLISHMENT OF THE NEW FACILITY WILL NOT BE A UNIVERSAL PANACEA. IF COUNTRIES PERSISTENTLY MISMANAGE THEIR OWN ECONOMIES, EVEN THE MOST PERFECT MANAGEMENT OF THE SUPPLY OF INTERNATIONAL LIQUIDITY WILL NOT SHIELD THEM OR THEIR TRADING PARTNERS FROM THE CONSEQUENCES. BALANCE OF PAYMENTS DISTURBANCES ARE MANIFESTATIONS OF SUCH MISMANAGEMENT. THE IMPROVED MANAGEMENT OF INTERNATIONAL LIQUIDITY WILL CONTRIBUTE TOWARDS AN ENVIRONMENT FAVOURABLE TO APPROPRIATE ADJUSTMENT OF



NATIONAL POLICIES. THE SMOOTH FUNCTIONING OF THE INTERNATIONAL SYSTEM WILL STILL DEPEND ESSENTIALLY UPON THE NATIONAL POLICIES OF EACH OF OUR COUNTRIES. IT IS A REMARKABLE FACT THAT IN THE TWENTY-ONE YEARS SINCE THE FUND WAS ESTABLISHED, NO AMENDMENTS IN THE ORIGINAL ARTICLES OF AGREEMENT HAVE EVER BEEN MADE. THE FUND HAS BEEN ABLE TO ADAPT TO CHANGING CIRCUMSTANCES BY INTERPRETATION OF THE ORIGINAL ARTICLES AND THE ADOPTION OF RULES, REGULATIONS AND EXECUTIVE BOARD DECISIONS WITHIN THAT CONSTITUTIONAL FRAMEWORK. NOW THE SPECIAL DRAWING RIGHTS SCHEME ~~IS GOING TO~~ ^{WILL} REQUIRE THE ADDITION OF A NEW SECTION TO THE FUND'S ARTICLES AND THIS HAS PRESENTED THE OPPORTUNITY OF EXAMINING CAREFULLY OTHER PROPOSALS FOR POSSIBLE IMPROVEMENTS IN THE FUND. THIS EXAMINATION WILL REQUIRE A GREAT DEAL OF STUDY AND IS WELCOME BUT IT SHOULD CERTAINLY NOT DELAY THE DECISION ON THE ACCEPTANCE OF THE SPECIAL DRAWING RIGHTS PROPOSAL.

THANK YOU, MR. PRESIDENT

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