

In addition to these interest charges there is a provision that any member buying the currency of another member from the Fund shall pay a service charge, uniform for all members, which will commence at $\frac{3}{4}$ per cent., but may be varied by the Fund between a minimum of $\frac{1}{2}$ per cent. and a maximum of 1 per cent.

This is a relatively high charge for such a service, and, taking it in conjunction with the interest charges referred to above, it throws into relief the general principle that members are expected to rely as much as possible on their own exchange resources, and deal through the Fund only if and when their own resources are inadequate for their needs.

ORGANIZATION AND MANAGEMENT

The Fund will be administered by a Board of Governors, Executive Directors, and a Managing Director.

Each member country will have the right to appoint one Governor. The Executive Directors will be not less than twelve in number, and will be responsible to the Board of Governors.

The Managing Director will be Chairman of the Executive Directors. Subject to the direction of the Executive Directors, he will be responsible for the conduct of the ordinary business of the Fund.

New Zealand's voting-power on the Board of Governors would be 250 votes plus one vote for each part of its quota equivalent to \$100,000—that is, 750 votes in all, out of a total of 102,000 votes.

Judged on the basis of voting strength there may not appear, for a number of smaller countries, to be much significance in the right to be represented by a Governor on the Board. But in practice this will be determined at least in part by the ability and energy of the representatives appointed, and not entirely by the economic and financial stature of the appointing country.

TRANSITIONAL ARRANGEMENTS

It is recognized that in the immediate post-war period the economic and financial conditions of a number of members will not have recovered sufficiently to enable them to comply at once with all the normal requirements of the Fund.

In particular it is provided, in Article XIV, that members may both maintain, and adapt to changing circumstances, restrictions on payments and transfers for current international transactions. Provisions relating to the removal of such restrictions as are inconsistent with the purposes of the Fund are also fully detailed in this Article.

The distinction between exchange restrictions and exchange control and supervision has already been briefly mentioned in this report; but the complexity of the whole question of supervision, regulation, control, and restriction of exchange transactions is such that there may be some misunderstanding as to what is the actual intention of the clauses relating to the removal of restrictions on payments and transfers for current international transactions.

In order to clarify the position beyond doubt the New Zealand Delegation, and others as well, raised the question at the Conference as to whether the provisions relating to the removal of such restrictions might be interpreted as requiring the removal of a system of exchange control; in response to this, it was made clear that there was nothing in the Fund Agreement inconsistent with the maintenance and operation of a complete system of exchange control, except and to the extent that such a control was in practice used to prevent the reasonably prompt payment and transfer of commitments which had actually arisen in connection with current transactions.

It would become a matter for intervention by the Fund if, for example, a member curtailed imports to such a degree in relation to exports as to cause a scarcity in the holdings of that member's currency. But it would not be a matter for intervention by the Fund if a member, while meeting all current commitments which actually arise, and while allowing an adequate volume of commitments to be incurred in respect of imports and other international transactions, at the same time specified the extent to which, and the purposes for which, such commitments could be entered into by its residents.

These points are mentioned here for the purpose of explaining the bearing of the Fund proposals on the subject, and are made independently of any question as to whether or not it may under changed international conditions or on other grounds prove practicable or desirable to modify the system of exchange control now in operation in New Zealand.

It was consistently stressed by the Chairman of the New Zealand Delegation that the New Zealand Government did not propose, and would not, under existing world conditions agree, to alter in any way its right to select imports, and whilst taking every step that would foster the general policy of expansion of world trade, it would on all occasions so order its total imports as to ensure that the necessary exchange for current transactions would at all times be available. This would entail control of the purposes for which, and the extent to which, overseas commitments as a whole could be entered into. These controls would not in any way free New Zealand from the responsibility at all times to provide the necessary exchange to enable all current transactions to be met promptly and fully.