Mr. BERNSTEIN. Senator, I don't think the French can stop it. What they can do is what I have said. They can use it as a bargaining device to get more favorable conditions for creating and operating the system.

Senator SYMINGTON. Could I ask does Sir Roy agree?

Sir ROY HARROD. May I defer that until I make my statement?

Senator SYMINGTON. I did not understand.

Sir ROY HARROD. May I defer it until I make my statement?

Senator SYMINGTON. I hope I can stay to hear it. We have a vote at 11:00.

Chairman REUSS. Would you then, Mr. Bernstein, come to the point I raised? Suppose at post-Rio negotiations the French attempt to write into either the outline plan or the accompanying report of the IMF some sort of language which does attempt to link the U.S. balance-of-payments deficit and the activation of SDR's, which linkage you have just said, and I agree with you, would be inappropriate. Should we then go ahead with the agreement in the face of that, or by so doing would we be possibly immobilizing ourselves from other alternatives, such as proceeding without France, if it came to that?

Mr. BERNSTEIN. I think that if the French wanted to use this test, the improvement in the U.S. balance of payments, the staff of the International Monetary Fund would say to them: "What do you mean by the U.S. balance of payments? Does it or does it not include as a receipt short-term funds brought into the United States? If you mean the official reserve settlements deficit, why, yes, we will take that into consideration because it will show up in our examination of the growth of world reserves and whether it is adequate."

Senator SYMINGTON. France, though, judged by Mr. Debré's speeches, would not agree. They have placed more store in supposed perfection in our balance of payments than just that portion of our deficit that goes into actual reserves for aiding other countries.

Mr. BERNSTEIN. I am not sure how that would finally come out. We have talked about the BIS before. The BIS in its annual review of the world pattern of payments uses the official reserve settlements definition because it is the only one that can be used symmetrically.

I think the staff of the IMF which will have the task of providing the technical memorandum on activating this system will think along the line I have suggested to you.

Chairman REUSS. Meanwhile, though, the agreement put to the Congress and the other legislatures will have to have some language in it with respect to activation. If you leave it just as it is, you are confronted by a grave ambiguity in the legislative history whereby France can say: "Look, we told you at Rio that we meant by activation no activation absent near perfection in the U.S. balance of payments."

Mr. BERNSTEIN. Well, there is going to be an actual amendment to the Articles of Agreement of the IMF. That will be the final authority on what the activating conditions will be.

If at the time the French make a speech and say they interpret it so and so, it will be part of the legislative history. But I am not a lawyer and I don't know how decisive that would be.

My guess is that nobody will agree with them.

Chairman REUSS. Let's suppose though that the amendment to the Fund Articles and the accompanying report don't spell out what