

said "No ratification without activation," and since there has not been this "go round" by the managing director of the IMF, and we do not really know either the date or the amount of the first activation, if that were the position we took, might it not be a plausible excuse for people like the French to say: "Now, look, we have gone along and have made tremendous concessions right down and through Rio, but now it turns out that the United States wants something additional which wasn't in the Rio outline at all, namely, a showdown on the first activation go around before it ratifies."

It seems to me, without answering my own question, that there is some danger of that, and if we gave France an opportunity this late to torpedo the whole thing and still look good in the world's eyes, so that it could be said by some reasonable people, "Well, you can hardly blame the French. The United States suddenly reneged," this is a hazard that we have to, it seems to me, take into account.

Looking at the other side of the picture, suppose we do ratify without a firm commitment as to activation, with nothing more than the hope and hunch that Mr. Bernstein has that having gone this far and set up the machinery, it would be used, have we, in fact, really put our head into the noose to a very great extent if the worst happens—if France, using what suasion it can on the rest of the Common Market, prevents any meaningful activation, say, within 2 years after ratification? Is it not then open to the United States and other like-minded countries to form a consortium less France or other dogs in the manger, if thus they turn out to be, which could be a good interim second best?

As to the other minor hazards you pointed out, namely, the restrictions on the existing IMF, the parallel proposal, I certainly think you have a point there. That point perhaps, though, could be met by typing the "no ratification without activation" to that, and providing that the restrictions on the regular IMF shall come into force and effect only after an initial activation in satisfactory amount.

How would you rebut the analysis I have tried to give?

Sir ROY HARROD. I think your last-mentioned proposal would require rather big renegotiation. I do not think that is one that would be very readily accepted, namely, that the amendments of the existing articles should be deferred until there was activation of the main scheme.

Chairman REUSS. You would defer them under your "no ratification without activation" position?

Sir ROY HARROD. I would defer them as a consequence of there being no ratification date, but I would think you would have to alter the proposal somewhat.

The proposal would be that there would be ratification as soon as an activation date was embedded in the scheme, which is at present a shell, a mere empty shell, which could be activated or might never be, after which, but only then, the changes of the existing articles would come into force at once. Well, you might say as regards the changing of the existing articles, "Wait until the main scheme is activated," but that would be a big renegotiation point.

Mr. BERNSTEIN. I am afraid there is a great misunderstanding there.

First, I would like to accept the view expressed by the chairman on activation. It seems to me completely right.