

the registered account and the transferable sterling-- all these have now been merged in to an external account sterling. Similarly, Western Germany, Belgium, Italy, France, Norway, Sweden, Finland and Denmark have declared their currencies convertible for the non-residents.

The extended measure of convertibility reflects the competitive strength of the European and the

Scandinavian economies. The move would increase confidence in their currencies and the other countries would now be more willing to hold their balances as well as make their transactions in sterling. To this extent, sterling will be strengthened and Britain's invisible earnings will improve. But what are the prospects of extending convertibility to the sterling area countries? The demand is now bound

to grow. After all it is rather awkward that residents in the sterling area should be deprived of a privilege which is now freely enjoyed by non-resident holders of sterling. Though restrictions on convertibility are no longer very odious nor widely advertised, most sterling area countries, and India among them, still maintain fairly rigid restrictions on dollar imports and dollar expenditure generally.

## Weekly Notes

### *Fund Quotas*

THK Governors of the International Monetary Fund had asked the Executive Directors at the Delhi meeting to consider the desirability of increasing the Fund's resources. The Executive Directors have now come to the decision that the Fund resources are inadequate; the world trade since 1944 has nearly doubled, and dollar prices have increased by at least 50 per cent, while the foreign exchange resources of the countries outside the United States have increased by only 50 per cent and the Fund quotas, with minor exceptions, have remained at the amounts determined in 1944. Under the circumstances, the Executive Directors feel that the Fund quotas should be increased by 50 per cent and that the quotas of Western Germany, Japan and Canada should be increased by more than 50 per cent as their original quotas were much too low.

The Governors of the I M F will vote on this proposal by February 2, 1959 and the increases will take effect only if member countries having 75 per cent of the total of present quotas consent to the increases in their individual quotas before September 15, 1959.

Of the increase in quota, each member will have to pay 25 per cent in gold. There will be facilities for deferred payments of gold by countries not in a position to pay immediately, but in any case full gold payment will have to be completed within a period of about four years.

If these proposals are accepted, India's quota will increase from \$400 mn to 600 million or about Rs 295 crores and she will have to pay a little less than Rs 25 crores or \$ 50 million in gold. The increase in the German quota will

entitle West Germany to a permanent seat on the Executive Board at the expense of India, but since KMT China is not likely to be able to increase her gold subscription, India may still remain one of the Big Five.

In the whole of the report of the Executive Directors, there is no mention of the particular payments problems of developing countries and the need for larger Fund quotas in the light of these problems. The Fund has still to understand that in the changed economic set up in the post-war period, rapid development is the problem of the age and all international institutions have to be attuned to it.

### *Bengal Opposes Transfer*

HOW are the boundaries of a State changed? According to the Constitution, Parliament may increase or diminish the area or alter the boundaries of any State. But the Bill for the purpose can be introduced only on the recommendation of the President and it has to be referred by the President to the Legislature of the State concerned for expression of its views on it. But, when the boundary of a State is changed and its area is increased or diminished for "implementing any treaty, agreement or convention with any other country or countries". Parliament has also to pass a Bill to give effect to the change, but such legislation does not have to be referred to the Legislature of the State whose boundary or area is affected. Therefore, the views of the West Bengal Legislature on the changes of boundary provided for in the agreement reached by Pandit Nehru with Feroz Khan Noon last year do not affect the powers of Parliament to validate the agreement. This is what

the Constitution lays down. Certain things may be perfectly constitutional and may have been provided for at a time when no such eventuality was thought of by the framers of the Constitution. Is such action also politically feasible? Doubts naturally arise from the unanimity on this issue reached among all the parties in the West Bengal Legislature, including the Congress Party.

Readjustment of boundary and the exchange of territories affect vitally the people of West Bengal and yet on so important a question, even the State Government was not consulted and Dr B C Roy or rather the Congress Whip in the Legislature, has created an extremely delicate situation by allowing Congress members complete freedom to express their opinion on the subject, resulting in united opposition to the proposed transfer. The manner in which this delicate question has been handled may be cited as a classic example of how public relations should not be handled by a popular government, however unquestionable its majority may be in Parliament. According to the letter of the Constitution, the parts of the agreement which relate to interpretation or enforcement of the award according to which territories were divided between India and Pakistan do not require the legislative sanction of Parliament. It is changes that are not in implementation of the Award which alone require such validation.

The operative parts of the Agreement relating to Indo-Pakistan boundary in West Bengal and Assam fall under both these categories. The first official statement on the implementation of the Nehru-Noon Agreement presented to Parliament on November 29 by Shrimati Laxmi Menon, Deputy Minister for External Affairs, was either a studied