

*Fourth Meeting*

COMMISSION I - AUDITORIUM

2:30 p.m., July 13, 1944

Take 1  
ARBrown

DR. WHITE (CHAIRMAN): The meeting will come to order.

The material on practically all sections of the Fund has been circulated and except for material which has just come out the various committees have completed most of their work. Such of the work as was completed by noon yesterday and some, though not all, that has been completed since has been incorporated in the new draft which has been circulated and which is now before you. The most urgent piece of business is to clean up all material on which the various committees are prepared to report, and as the Drafting Committee continues its labors the material can be incorporated into the revised draft.

I probably need not inform the group here -- you already know -- that the Drafting Committee has been working terribly hard until two and three in the morning and that the committees and subcommittees have been working at all hours. That accounts for the fact that so much progress has been made and that the Drafting Committee got along as well as it has.

I am going to first call on the Chairman of the Drafting Committee to report on the work of his committee, but we will postpone consideration of the draft until after the various committees and ad hoc committees have reported.

Mr. Rasminsky.

(MR. RASMINSKY (CANADA) read the first 5 paragraphs of Document 342, the Report of the Drafting Committee.)

I should point out that in four or five cases we have made rather major changes in the wording. Page 7 of Document 221, paragraph (b) of section 9 should read:

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".....whenever ..... par value of a member's currency should be reduced ..... the foreign exchange <sup>value</sup> of a member currency".

On page 24 of the same document, under Article XIV, Withdrawal from Membership, Section 2, Compulsory Withdrawal, the words beginning on the second line of small paragraph (a), "In a manner which is contrary to the purposes of the Fund" should be struck out so that section (a) reads: "If a member fails to fulfill any of its obligations under this agreement the Fund will declare" and so on.

Page 27 of the same document, at the end of the first sentence on that page "by the President of the Permanent Court of International <sup>Justice</sup> Adjustments," please insert the following words, "or such other authority as may have been prescribed by regulation adopted by the Board of Governors."

I have been asked to report those words which are to be inserted at the end of the first sentence on page 27, "or such other authority as may have been prescribed by regulation adopted by the Board of Governors."

The final change which is of sufficient substance for me to mention it now is on page 28, section 2, "entry into force." That section should read as follows: "as soon as" -- and strike out the words "this agreement has been signed on behalf of" -- "as soon as governments having 65 percent of the aggregate of the quotas set forth in Schedule A." Please add the following words, "have signed this agreement and deposited the instrument referred to in section 1(d) above."

I am going to repeat that paragraph as it now reads:

"As soon as governments having 65 percent of the aggregate of the quotas set forth in Schedule A have signed this agreement and deposited the instrument referred to in section 1(d) above, this agreement", etc. Other changes have been made



but they are not of sufficient consequence to report at this time. The Drafting Committee in submitting the text of Article IX, section 10, dealing with immunities from taxation, desires to place on record certain assumptions regarding ~~xxxxx~~ its interpretation of the intention underlying this article. These assumptions are as follows:

- (a) The Fund is not entitled to import goods free of customs duty without any restriction on their subsequent sale in the country to which they were imported;
- (b) The Fund enjoys no exemption from duties or taxes which form part of the price of goods sold;
- (c) The Fund enjoys no exemption from taxes or duties which are in fact no more than charges for services rendered.

The Drafting Committee desires further to place on record its understanding that the phrase "territory of members" or "territories of members", where it appears in Article IX on Status, Immunities and Privileges of the Fund (our numberation), is to be construed sufficiently widely to include the political subdivisions of members and, ~~xx~~ where relevant, their taxing authorities.

The Drafting Committee wishes to add the following to Article XIX, Section 1 on page 28 of its report:

"(g) In the case of governments whose metropolitan territories have been under enemy occupation, the deposit of the instrument referred to in (d) above may be delayed until \_\_\_\_\_ months after the date on which these territories have been liberated. If, However, it is not deposited before the expiration of this period by any such government, the signatures affixed in its behalf shall become void and the portion



of its subscription paid under (f) above shall be returned to it.

"(h) Paragraphs (f) and (g) shall come into force with regard to each signatory government as from the date of its signature."

The Drafting Committee understands that, in the discussion of certain sections in the committees of the Commission, various delegations reserved their right, in cases where the consensus of the committee was contrary to the views they expressed, to make declarations to that effect before the Commission. Your Committee has not regarded it as part of its duty to make reference in its report to such reservations.

DR. WHITE: You have heard the Chairman of the Committee request that this Commission empower them to make such changes in matters of pure form and to eliminate any inconsistencies or duplications. Unless I hear objections, the Chair will assume that this Commission readily grants that authority to its Drafting Committee.

(No objection voiced.)

As I said before, we are going to postpone the examination of <sup>the</sup> detailed report of the Drafting Committee until after the reports of the various committees.

For the first report, I want to call on the Ad Hoc Committee on Exchange Controls on Current Payments. Mr. Koo of China is Chairman. The document which Mr. Koo will discuss is Document 329 and also page 40 of the looseleaf Fund document. If you have that document before you while Mr. Koo is making his report it will facilitate hearing him. Mr. Koo.

MR. KOO (CHINA): (Read Document 329.)



DR. WHITE: I think <sup>You</sup> you have heard the report of Mr. Koo. Is there anyone who wishes to comment on the report? The Delegate from New Zealand.

NEW ZEALAND: I wonder if I can ask a direct question here. The country that controls its exchange entirely and makes provision for all the money necessary for its current transactions would not be in any way contravening the provisions of this agreement?

DR. WHITE: The question has been asked whether any country that makes all the foreign exchange necessary for its transactions available would not contravene this agreement-- did I interpret your statement correctly?

NEW ZEALAND: The starting point -- a country controlling its exchange in its entirety, controlling the whole exchange obtained from the sale of its commodities or in any other way, and at the same time making full provision for the funds necessary to meet its current transactions, would that country by controlling its exchange in any way contravene the provisions of this agreement?

DR. WHITE: The question has been asked whether any country that completely controls its foreign exchange and yet ~~it~~ makes exchange available for its transactions, would it be contravening the provisions in this statement of section 2.

The Delegate from the United States.

MR. BERNSTEIN (UNITED STATES): It is impossible to write into a document every possible technique that may be used for controlling or restricting transactions in foreign exchange. It is quite clear to the technicians that have discussed this problem that the use of authorized <sup>dealer</sup> (methods) for the purchase and sale of exchange, that the concentration of exchange



dealings in some authority is not a contravention of the purposes of this agreement. Until some specific type of transaction or some specific type of restriction is before the Fund it would be impossible to say whether or not it is a violation of the obligations under the Article that this Committee has put before us.

DR. WHITE: I gather the speaker makes a distinction between exchange control and exchange restrictions and that the question involved the category of <sup>complete</sup> exchange control, whereas the Delegate from the United States pointed out that this provision applies to possible restrictions and not control.

The Delegate from New Zealand.

NEW ZEALAND: Could we get that a little clearer? Exchange control is not in any way barred, then, by this agreement? Not in any way whatever?

DR. WHITE: That would be the Chair's interpretation. Does anyone disagree with that interpretation?

(No disagreement voiced.)

The Delegate from South Africa.

SOUTH AFRICA: I take it in what you have just said that he has implied the condition that that exchange control does not work in a discriminatory meaning as between members of the Fund.

DR. WHITE: I thought that that was not the question in point. That relates, I think, to another provision which will doubtless come before us for discussion, if I understood the remarks of the Delegate from New Zealand and the response by the Delegate from the United States.

Then, we clearly have before us the distinction between exchange control and exchange restrictions. Exchange controls



are not in violation of any one of the provisions, but if an exchange control is so operated as to in effect restrict transactions of a kind which are permitted in the draft document then that would constitute a violation and I think the Delegate from the United States pointed out that before one could tell whether such restriction is in violation one would have to know the particular transaction or study the particular prohibitions which are enumerated in here.

Does that answer the Delegate from New Zealand?

NEW ZEALAND: I still want to get it cleared, if possible. There is no question that this agreement, if ratified, would be prohibitive in the long run of discriminatory practices in connection with exchange. Two points: One, is exchange control in order. The answer apparently is yes. Exchange restriction in any way antagonistic to current transactions in trade is not in order.

Could I finish that, Mr. Chairman, then?

DR. WHITE: Yes.

NEW ZEALAND: If, then, a country in some form or another entirely controlled its foreign exchange and inside its own rules made full provision for every current transaction that is carried out, that could be carried out under normal trade, then at that point that country would not be in any way restricting the availability of exchange for current transactions and would be quite inside of the provisions of this agreement.

DR. WHITE: That would be my understanding.

NEW ZEALAND: And providing all the exchange for current transactions.

DR. WHITE: That would be my understanding, Mr. Chairman. But is there anyone who feels that a different interpretation is in any way warranted by any phraseology in this document?



Does anyone disagree with the interpretation of the Chair?  
(After a pause) If not, then we will accept that as the interpretation. Is there any other comment?

The Delegate from India.

INDIA (MR. SHROFF): Under 9, 5 --

DR. WHITE: A little louder, Mr. Shroff, if you please.

MR. SHROFF: With reference to 9, 5 --

DR. WHITE: 9, 5 of the document before us.

MR. SHROFF: I should like to have an interpretation of this clause from the Delegation from the United Kingdom as to how it will work between member countries who are ordinarily accustomed to carry on their trade in terms of the United Kingdom currency.

DR. WHITE: Were you through with the question?

MR. SHROFF: I should like to have an interpretation from the U. K. Delegation as to how this provision will affect foreign trade transactions between member countries who are ordinarily accustomed to carry on their foreign trade in terms of sterling.

DR. WHITE: The Delegate from India requests an interpretation from the Delegate of the United Kingdom as to how this provision would affect the transactions of a country that is accustomed to carrying on its foreign trade transactions in terms of sterling. If the United Kingdom Delegate would prefer to answer that in a few moments, we will pass that question and give the Delegate from United Kingdom the floor when he requests it a little later. Is the Delegate from the United Kingdom prepared to answer that now?

UNITED KINGDOM: I think I can answer that. My understanding is that sterling acquired as the result of current transactions would be really convertible either into



rupees or into any other currency. That, of course, applies only to sterling which at the time is being currently acquired as the result of current transactions.

DR. WHITE: The Delegate from India clearly heard the answer?

MR. SHROFF: Yes. There is only one point. Do I understand that this provision will have that interpretation as soon as the Fund starts operations?

DR. WHITE: The question has been asked whether or not this provision will have applicability as soon as the Fund starts operation.

UNITED KINGDOM: No. The whole of this clause refers to normal operation of the Fund after the member concerned has accepted the obligation of convertibility. None of it applies during the transitional period before such obligation is accepted.

DR. WHITE: Has the reply been heard and understood?

DR. SHROFF: The reply has been heard and understood, but unfortunately it is not very satisfactory.

(General laughter)

DR. WHITE: I gather from the response of the committee that they heard what the Delegate from India said.

Is there any other comment?

The Delegate from France.

FRANCE: Mr. Chairman, I would like to have clarification concerning Article IX, 4. Is that in order?

DR. WHITE: Any request for clarification is in order.

FRANCE: The three last lines of IX, 4 read as follows:

"Nor should it apply to a member which has ceased to be entitled to buy currency of other members from the Fund in exchange for its own currency."

Does the word, "have ceased to ~~may~~ be entitled to buy



currency" apply to each instance where the country cannot buy currency from the Fund? I mean, for instance, if its yearly quota, if its yearly allowance, 25 percent, has been exhausted, or does it apply only in case where 200 percent of the quota has been reached?

DR. WHITE: The question has been asked as to the interpretation of the last three lines of IX, 4. The specific question was as to whether or not this applies to a country that has reached its maximum quota. Did I understand your question correctly?

FRANCE: It might be interpreted as applying exclusively to a country which has reached its limit of drawing, which is about 200 percent of the quota, or it might apply, also, to a country which has not reached 200 percent but has used in the previous month more than -- in the previous 12 months more than 25 percent of its quota and, therefore, which is not entitled any more for the time being to acquire foreign exchange from the Fund.

DR. WHITE: I see. Your question was whether in the event that a country utilized its current rate during the earlier part of the year and there was a part of the year left during which it might be construed that it shall not be entitled to buy -- the question is whether during that period which is left it was free of the obligation.

FRANCE: Exactly, Mr. Chairman.

DR. WHITE: The Delegate of the United States.

MR. BERNSTEIN: That provision, as I understand it, is intended to cover the fact that a country does not have access to the Fund. It, therefore, applies in the case of a country that has exhausted the 25 percent of its quota for any 12-month period. It applies to a country that



has exhausted the whole of its quota when the Fund's holdings have reached 200 percent of its quota. It applies to a country which has been declared ineligible for use of the Fund's resources because of its actions contrary to the purposes of the Fund. It applies to every other case where a member is for some other reason declared ineligible to use the resources of the Fund.

DR. WHITE: The Chair is in some doubt as to the appropriate interpretation of that clause and feels that it may need a little clarification and discussion. Therefore, the Chair would like to refer that particular section or the last lines of that section to a special committee which the Chair will appoint, and the committee which the Chair will appoint will consider not only that question but any other question that comes up at the commission meeting which, in the opinion of the Chair or the Commission, needs either further clarification or further discussion.

The Chair, then, rules that the interpretation as applying to these last three sentences be postponed until that special committee reports.

Any further comment?

(After a pause) If there is no comment -- is there any view that any member cares to express of approval or disapproval?

(After a pause) If not, the Chair will call for a vote of "Ayes" and "Nays" on that part of the section up to (c), and the reason the Chair is doing that is that we want to get as much done as possible and leave for a later commission meeting only those particular sentences or phrases about which there is either doubt or further discussion to be called for; or, unless there is something in the particular phrase which may affect the earlier part, in which case we



will defer the whole section. I do not think that is true of this section and, therefore, I should like to call for a voice vote on it.

Mr. Gutt, the Delegate from Belgium.

Mr. Chlepner.

MR. CHLEPNER: I should like to say a word about (a), Capital Transfers, in the document that we have discussed. Certain capital transfers had been allowed, "those transfers that are required ~~x~~ for the expansion of exports in the ordinary course..... or other business." Should not the general obligation by which this clause does not relate to transactions involving capital transfer exclude those special transfers not authorized by the document?

DR. WHITE: The question which has been raised seems very appropriate. The question is as to whether or not the obligation indicated in (a) should not contain an exception of those transactions which are permitted in other parts of the document.

The Delegate from the United States:

MR. BERNSTEIN: Mr. Chairman, the provisions that the representative from Belgium referred to under "authorized capital transactions" represent transactions which the Fund may not forbid. There is no obligation on a member country to permit such capital transactions, if in its judgment it is necessary to control them. Therefore, in the sense that the country, the member, retains the full control over the regulation of capital transfers, it would be authorized to restrict this multilateral clearing provision when applied in the case of capital transfers.

DR. WHITE: Does the reply satisfy the Delegate from Belgium or would he like to give the matter further consideration?

(Inaudible reply.)



DR. WHITE: Inasmuch as the Delegate from Belgium would like to further consider the significance of that point, the Chair is going to rule that the whole section be referred to the Clearing Committee and that an opportunity be provided for the Delegate from Belgium to discuss the matter with the appropriate committee.

We, then, pass to IX, 5. Are there any comments to be made on that point beyond those which have already been made by way of interpretation?

(After a pause) Do any delegates want to express any approval or disapproval on this matter?

(No response.)

Then the Chair will call for a voice vote. All those in favor of section IX please say "Aye."

VOTE: Aye.

DR. WHITE: That is, section IX, 5, please say "Aye."

VOTE: Aye.

DR. WHITE: All those opposed?

(None)

DR. WHITE: Then, it is passed.

Section 6. "No member shall engage in any discriminatory practices," et cetera. You have all read it. It is not necessary to read it again. Any comment on that provision?

(No comment)

I call for a voice vote. All those in favor of section IX, 6 say "Aye."

VOTE: Aye.

DR. WHITE: All those opposed?

(None)

DR. WHITE: It is passed.

The Chair will now call upon the next ad hoc committee



to report, which is the Ad Hoc Committee on the Executive Committee and Voting Arrangements. The Chairman, Dr. de Souza Costa.

DR. DE SOUZA COSTA (BRAZIL): (The report was read.)

DR. WHITE: You have heard the report of the Chairman of the Ad Hoc Committee on Executive Directors and Voting Arrangements. The Committee first approved Alternative (j). We call it (g); in Brazil they call it (j), but the secretary will read it to make sure no one misunderstands it. Read the first few sentences so that there will be no question.

MR. STINEBOWER: Alternative G on page 26, G of the looseleaf "bible," Document 237. the following material is suggested as an addition to the combined alternatives A and B for Joint Statement VII, 1, 2 and 3, and additional material on page 27 of Document SA/1.

This now begins the text: "Paragraph (a), add to section 2, 'directors shall continue in office until their successors are appointed or elected.' Paragraph (b), add as a new section under section 3." Section 4.

DR. WHITE: Which need not be read. Is there any one who would wish to comment on that particular section?

The Delegate from Egypt.

EGYPT: (Inaudible comment.)

May I be allowed, Mr. Chairman, to say just a few words in connection with Alternative G presented by the Cuban Delegation.

(Chorus of "Noes.")

DR. WHITE: I think the speaker is not commenting on the particular provision that is before this commission. ~~xxx~~ Am I correct, Mr. de Souza Costa? I think your comments apply to the latter part of the report. I was first trying to get this part out of the way.



If there are no objections to this section G, the Chair will consider it approved.

There is now before us the other subject matter of the report, and I would call on the Delegate from Egypt.

EGYPT: Mr. Chairman, may I be allowed to say just a few words in connection with Alternative G. That was the alternative presented by the Cuban Delegation. We have no quarrel with that proposal. In fact, we view it favorably. The grouping together of countries into economic areas or units for the purpose of allotting seats appears to be a sound principle. It seems to be the principle which has inspired this alternative.

This alternative recognized Latin America as an economic unit and allotted it two seats on the strength of that recognition. But we would like only to point out that the proper application of the principle underlying that alternative must necessarily entail its extension to all economic areas, not Latin America alone. This would eliminate the inconsistency that would arise from applying the principle exclusively to Latin America. In its present form, it is difficult to believe that the proposal does not discriminate against countries other than Latin America and the "Big Five." We are prepared to back the Latin American proposal. In fact, we support it. But we should like to see the principle consistently applied. In the revised draft of the Egyptian Delegation, there we claim, and claim rightly, that the Middle East, which is undoubtedly and unquestionably an economic unit, should on this ground be allotted at least one seat. A financial conference for the Middle East countries was held in Cairo last April. The United Kingdom and the United States of America were represented. This is an instance where full recognition was provided for an



economic grouping which for purposes of trade, money and exchange you cannot very well afford to ignore.

DR. WHITE: The Delegate from Egypt has indicated his complete support of the proposal by Cuba and the recommendation of the Committee that the Latin American countries be assigned two delegates. However, in view of the economic importance of the Middle East, he feels that the same principle should be extended to the Middle East and that the Middle East area be accorded one delegate.

I recognize the gentleman from India.

INDIA: On a point of order. I would like to know whether this committee can carry on a really useful discussion about the nature of the executive directors, their number and manner of election and nomination before this commission has got full knowledge of how the position stands regarding the question of quotas. At this stage it is not possible for the Indian Delegation to express a definite opinion whether they would favor the original allocation of seats. We have had various alternatives before us in which the Latin American Republics are mentioned. The Far East comes probably ex-officially; the Middle East wants additional representations; and we want to see in which area do we come. I submit that it would not be possible to continue useful discussion of this subject, which I know is of vital importance to all the countries concerned, before we have some information regarding the question of quotas, and I would like your ruling, sir, whether the Committee is going to be honored to discuss the question straightaway here.

DR. WHITE: The Delegate of India would like to know in which geographical area India might be considered.

(Chorus of Noes.)

INDIA (MR. SHROFF): That is not so.



DR. WHITE: Would the Delegate of India briefly summarize his point? I am not sure that everyone heard it and I am not certain that I fully followed it.

MR. SHROFF: The Delegation from India will not be in a position to express a definite opinion either in favor of regional representation or not without knowing the position regarding quotas.

So far as the alternatives that now stand on order are concerned, I find various classifications of the world and I am not sure in which classification India would come.

DR. WHITE: I think it depends on which way you are looking. But I get your point. The Delegate feels that they are in no position to comment on the proposal until they have been informed of the entire quota classifications.

The Delegate from Belgium.

MR. GUTT (BELGIUM): Gentlemen, I was going to move the same resolution as has just been proposed by the Delegate for India. That is to say, to postpone the discussion of this question until there is an agreement on quotas. If there is a general feeling in this commission in favor of that proposal, I will not comment upon it. If there were an argument needed, I would ask leave to comment upon it afterwards.

MR. LUXFORD: Mr. Chairman.

DR. WHITE: The Delegate from the United States.

MR. LUXFORD: The Ad Hoc Committee that considered the various proposals on executive directors was deeply conscious of the point raised by the Delegate from India and the Delegate from Belgium. The problem confronting



the Ad Hoc Committee and I might say confronting this Commission is whether it is possible to move forward at all until you have determined quotas. There was a general feeling on the part of a number of members of the Ad Hoc Committee that as a practical matter we should attempt to move forward with full recognition, however, that after the quotas are released it may be necessary to reexamine the application of this provision to specific quotas; nevertheless, if you accept that reservation, it still may be worth while to push forward on the work of this Commission by discussing this thing with that reservation.

EGYPT: I defer --

DR. WHITE: The Delegate from Egypt.

EGYPT: Will you allow me to add an addition to the proposal of my friend ..... If you once made a principle of regionalization, as seems to be admitted in the Cuban proposal, I think you must be logical and carry it out to its logical conclusion. That is, you must have a full regionalization of all the countries represented. So, I would suggest that if -- that<sup>is</sup>, supposing there are twelve executive directors and five of the seats are allocated to the principal powers, I would suggest that the remaining countries be distributed into seven regions, as nearly as possible all identical economic relations, and that the seven remaining seats then be distributed amongst the seven different regions. In that way, no region could feel that they are left out in the cold. Sometimes there have been cases in Geneva where a country has felt that it has been slighted and left in the cold by the distribution of seats on the board of the League of Nations; consequently, the League of Nations has been disturbed. Therefore, I would



suggest that the whole of the original members minus the five be divided into seven regions, and that the seven remaining seats on the executive board be distributed amongst those seven.

DR. WHITE: The Delegate from Egypt indicates that once the door is opened to the principle of regionalism that it calls forth an allocation of the seats on the basis of geographic regions and he suggests that there be seven regions created in which each shall have representation by virtue of its geographical position.

The Delegate from Iraq.

IRAQ: Sir, as a point of order has been raised, how can the discussion usefully proceed until the Chair has decided the point of order?

DR. WHITE: The point of order being what?

IRAQ: The point of order was raised by the Indian Delegation and was supported by the Delegate from Belgium. But whether this discussion should proceed at all --

DR. WHITE: The view expressed by the Delegate from India was an expression of opinion. I didn't understand that he was raising a point of order. It was an opinion to the effect that this question could not be intelligently discussed until the quotas were settled. Apparently, there were contrary views and we were listening to the various views. If the Delegate from India raises it as a question of order, the Chair would defer reply until there are comments from a few more of the delegates.

MR. SHROFF: But in that case shouldn't the comments be restricted to the point raised in the point of order and not deal with the substantive merits of the amendment which is before us?

DR. WHITE: The Delegate from Iraq.



IRAQ: The Delegation from Iraq supports the motion raised by the --

DR. WHITE: You are going to confine your remarks to the subject matter raised by the question of order?

IRAQ: I have no comment on the question of order. I am only commenting on the merit of the case.

DR. WHITE: I am sorry, the Chair will have to declare you out of order for the moment. We will call on you later. The question before the Commission is whether or not it is necessary to know the quotas in order to discuss appropriately the question of representation.

The Delegate from Belgium.

MR. GUTT: On the point of order, I would only like to point out that the suggestion made this afternoon by the representative for the United States was made yesterday evening at the Ad Hoc Committee; that is to say, that we would, leaving aside the question of substance and the question of quotas, try to approach this matter as the discussion of a matter of a practical matter of a practical procedure. And I want to point out that the Ad Hoc Committee tried during two hours to follow the suggestion and failed. So I am quite sure that the whole Commission would fail this afternoon because at every corner we came up against this question of quotas. We couldn't escape from it; the Commission couldn't escape from it.

Take2 fols.



Dr. White: The delegate from United Kingdom.

United Kingdom: Mr. Chairman, I rise to support the point of order raised by the Indian Delegation and the Delegation from Belgium. I participated in all of the discussions that have taken place on this subject and at each of these discussions we have started out exactly the same way trying to decide this question of principal. About half way through the discussion we got on to the quotas and stuck in the quotas from there on until the chairman would release us. I suggest we reserve this question until quotas are determined.

Dr. White: Inasmuch as the Chair does not wish to place any obstacles, the Chair takes the point of order well taken and will appoint a committee on quotas who will report back to the Commission and inform the various delegates of their findings before the Commission so they will be enabled to discuss the matter intelligently.

Canada: May I say a word of explanation but not relating to the point of order that has just been raised. I have been told that there is a reference in the report of the Ad Hoc considered by the committee and reported without decision. This was technically important. While geographically no account has been taken of the very important consideration of division of those countries which might be creditors of the Fund and those which might be, in a sense, debtors. We suggest therefore that there ought to be a provision - - - for those countries which at all times will be creditors - - I wish to say there that urged this as a technical provision in the interest of the Fund - We urged in the interest of the Fund --.

Dr. White: The Chairman will now call upon the chairman of Ad Hoc Committee on relations with nonmember countries.



Norway:

(Chairman: (Ad Hoc): Mr. Chairman, the question of relations to nonmember countries might have raised many difficult problems. In the present draft before us the Fund is restricted to actions taken on the initiative of member countries. That is to say, their relations to nonmember countries, will not appear during the daily transactions of the Fund. The only thing which we really have to look after is this - To prevent nonmember countries to engage, as well as we can do, in practices that may be dangerous to the policies of the Fund. We have no jurisdiction over a nonmember country. The only thing we can do is to impose some duties on member countries concerning their relations with nonmember countries. We have placed before the Commission clauses contained in Document 311. I will pause just a moment until everyone has found 311. We propose here a new section to be added to Article ~~xxx~~ IX, and I will say in advance when I introduce it that this suggestion, or this proposal, which I have is clear in its language although it is not beautiful in its language, but I should prefer the clear language. (Reads proposal). I will just add one thing more which has nothing to do with that clause. This committee received a letter from the Danish Minister asking some questions concerning the position of Denmark which is a nonmember country. We did not find that within the scope of the mandate of this Commission but I think as chairman I may draw the attention of the Steering Committee ~~fixt~~ to the fact that the Danish Minister has been invited here by America in a very special way and I think there ought to be some possibilities for Denmark to join this Fund as it has been allowed to join some other association in an easier way than other nonmembers.



Dr. White: The Commission has before it first the recommendation of the Ad Hoc Committee on Relations with Nonmember Countries and then the suggestion that the Steering Committee consider the possibility of membership of Denmark. Is there anyone who wishes to comment on the recommendation of the Committee?

Iran: May I ask what "Agency with the Fund" means in paragraph (a) "allow its agencies with the Fund".

Norway: Mr. Chairman, It would not be a member country, as such, which ~~xxxxx~~ acts with the Fund but it should appoint a central bank or some other agency to represent the member country towards the Fund and that is this agency which is meant.

Dr. White: Is there a possibility that there might be some misunderstanding that you failed to indicate -- "to the countries and its agencies" - If there such an ambiguity would Dr. Keilhau be willing to accept the suggestion that if the Drafting Committee should see fit would it be so incorporated?

Norway: I don't think there is any such ambiguity. In the first sentence is said that "Not to undertake any transactions with a nonmember country which would be contrary to the purposes and provisions of the Fund" and in the next part of the sentence it says that it should not "allow its agencies with the Fund to undertake such transactions." I think both cases are clear.

Dr. White: Does that please the Delegate from Iraq?

Iraq: I think so.



Dr. White: Any other comment? If not, the Chair considers this ready for drafting. The Chair will now call Ad Hoc Committee on Uniform Changes in Par Value. Mr. Istel, have you any oral report to make? There has been no written report submitted.

France: Mr. Chairman, I just received a report that notwithstanding differences which arose at the adhoc committee in its meeting of yesterday evening, that now there seems to be substantial agreement between the members on Alternative (c) which reads as follows: Reads Alternative (c), Section 5, Document 164, page 18b.

Dr. White: Document 164, page 18b, section 5. Do I understand, Mr. Istel, that agreement was reached practically on a provision which is like Alternative (c) but not Alternative (c)?

Mr. Istel: Not practically - The last report is that it is Alternative (c).

Dr. White: The Chair is going to rule that we give the Ad Hoc Committee time to prepare a written report and prepare it by the next meeting. Would that be satisfactory?

Mr. Istel: Yes, Mr. Chairman.

Dr. White: So be it. I have been reminded that the question raised by Dr. Keilhau with respect to the Danish Minister was not put before the Commission for comment. Does any one wish to comment? The question is that the Steering Committee consider the possibilities of inviting Denmark as a member. If there are no comments then the question will be referred to the Steering Committee. I call on the Ad Hoc Committee of Special Problems of Liberated Areas, which I understand, has held no meeting because of the existence of so many other subcommittees. We will then turn to the report of standing committees of the Commission.



The reports have been available in writing and in view of the time we may dispose of the reading of the written report but call upon the reports and comments.

Greece: Mr. Chairman, I want to - Document 343 - I want to draw attention of the Commission to three points that came before the committee. The first is connected with section 5 of Alternative (a) of Part II. At top of Page 2 of my report. There our commission has asked to fill the day on which the holdings of gold and collateral exchange by member countries should be established as provided in this document. As you remember we have agreed on the proposals of the committee with regard to this section. (Reads) "Each member shall pay in gold as a maximum either (a) 25% of its quota or (b) 10% of its official holdings". The day on which the holdings of the members will be established. The committee was not able to fix any day and it is a matter for the Commission. That is the first point. The second point is similar. It deals with section 3 of Article IX, page 39, Document CA/1. ~~(Reads)~~ We have also accepted the committee's proposal which is as follows: (Reads) . The committee while accepting in principle this wording thought that it relates closely to problems discussed by Committee 2 and decided therefore to refer the suggestion to the Commission. The committee refers the discussion which has taken place to Committee 2, about the commission which the fund requires from each member to pay on the application of its dealings in foreign exchange. Now we thought the percentage which ought to be proposed here must depend on the percentage which this committee will fix. The members in discussing the matter recommend to Committee 2 that percentage between 1/2 and 1% ought to be raised by the bank. It ~~is~~



depends on the percentage which shall be accepted in this case - what percentage would be established for this purpose. The third question applies to section 3, paragraph c of Alternatives (a) and (b), page 39 or 39a of Document CA-1. The Committee has referred this question to the Drafting Committee and the Drafting Committee reported there are three alternatives, Alternative (a), Alternative (b) and the new provision proposed by the Drafting Committee. The new drafting is worded as follows: (Reads) Now the difference between the first two alternatives (a) and (b) and the proposal is this: Alternative (a) declares not enforceable any transaction holding currency of a member country which void or avoid change of relation and declares nonenforceable any transaction which tries to void or avoid interest of another member. The second Alternative (b) - This wording which has been pressed by one delegation declares those transactions not enforceable who has an offense and the wording proposed by the drafting committee declares not enforceable any transaction described by issue. Now I may add that the ~~delegation~~ delegation of U. K. while expressing its preference for Alternative (b) declared their willingness to ~~consider~~ concede their position if Alternative (b) were accepted. On the contrary U. S. decided on the language of the Drafting Committee. That is why our committee decided to defer the matter to the Commission. I think the three principal points which has been deferred by the Committee to this Commission can be seen.

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Dr. White: The first question raised by the Committee for your consideration is that of the date on which the holdings of gold and gold convertible exchange of member countries shall be established as provided in this clause. The committee made no recommendation. Is there anyone who wishes to discuss that point?

India: Before this Commission makes its decision on fixing the date, I think it is high time that the U.S.A. Delegation give us a definition of gold and gold convertible exchange. We have discussed this proposal and the several other proposals - Those words "gold" and "convertible exchange" are subject to definition and I don't know if the U. S. Delegation is now prepared to give us a definition of gold and convertible exchange as used in this provision.

Dr. White: Delegation from India has requested a definition of gold and convertible exchange as used in this provision.

United Kingdom: The question was addressed to the U. S. but I think that it is not in any way their fault that the furnishing of this definition has been so long delayed. I would like to propose an amendment to the text which is before us, according to which the criteria of payment of <sup>official</sup> ~~initial~~ gold subscription should be expressed as official holding of gold and United States dollars. That involves a change on page 3 of the new document, in section 3(b) and also involves a change on the following page in section 4(a). I don't know if I need say anything further in connection with the explanation of the change except that the concept of gold convertible exchange is a difficult one to give an exact definition to and our own feeling is that the balance of advantage so far as the



payment of additional subscription goes. This has nothing to do with the recapture provision which occurs when the Fund is functioning in the later stage but so far as the gold element in the original subscription goes the balance of advantage is on the side of the country being the country holding all gold and United States Dollars and nothing else.

Dr. White: Delegate from U. S.

United States: Mr. Chairman, it might be possible to give a definition of gold convertible exchange which would be satisfactory to ~~XXXXX~~ everyone here but it would involve a long discussion. On the practical side there seems to be no difference of opinion and it is possible for the monetary authorities of other countries to purchase gold freely in the United States for dollars. There are a number of other currencies which can be used to purchase dollars without restriction and these dollars in turn used to purchase gold. The definition of gold convertible currency might include such currencies but the practical importance of holdings of the countries represented here is so small that it has been felt it would be easier for this purpose to regard the United States Dollar as what was intended when we speak of gold convertible exchange.

Dr. White: Unless there are any objections, this question will be referred to the special committee. Any objection: Then we pass to the next problem raised by Committee 1 and that is Section 3. The Committee indicated that it was not prepared to specify the exact percentage which would constitute the range at which exchange could be permitted to move and referred the question, therefore, to the Commission. Are there any views by any member delegate on this point? If not that question will be deferred to the special committee.



Norway: Mr. Chairman, may I, in that connection, suggest that the decision might be left to the Fund because from time to time it may not be certain that the same rates would be practical and it would save us very much work in this conference if such a question could be left to the Fund. I think the Fund will get as good a Board and Executive Committee that with full confidence we ~~would~~ leave it to the Fund and simply say a margin not exceeding---.

Greece: Mr. Chairman, we have discussed this in the Drafting Committee and Committee 1 and someone proposed to word this as follows: "The Fund shall prescribe a uniform maximum margin by which rates may differ from parities." This would limit the Fund within a percentage which will be fixed in this document to leave at the discretion of the Fund the question of margins in which member countries shall freely move but we felt that it was a general idea of a majority of members that it would be better to fix a limit even to this discretion of the Fund to fix margins.

Dr. White: The question will be considered by the Special Committee and in consideration of that question the Special Committee will take due note that any limitation placed upon the range must be considered in the light of the possibility of violating or making ineffective the central thread that runs through this whole measure by having a range of variations that is wide. They ~~may~~ will have in mind that the Commission may doubt the wisdom of extending that degree of flexibility in the authorization of the Fund. Does the Delegate from the United States wish to speak? If not, the matter will be referred to the Special Committee. The next point is section 3, paragraph c



on the next page. There are several alternatives enumerated and the question before us. Delegate from United States.

United States: Mr. Chairman, in glancing over the proposed subparagraph c, it seems to me that it has to a very substantial extent changed at least what was contemplated by paragraph c of Alternative (a) and is now, in fact, overlapping <sup>the</sup> ~~in~~ principle of ~~Alternative (b)~~ (b) of Alternative A. Under (b) of Alternative A, countries undertake appropriate measures including the use of gold to maintain ~~rates~~ rates of exchange. As I now read the proposed c of the Ad Hoc Committee they are instead making it a question for law. In other words you are going to have a legal requirement that rates of exchange may not vary in the various countries. I think that changes entirely the meaning ~~of~~ and purpose of c as it was originally introduced. I think that further than that it places an undue burden on each country. As originally drafted it was contemplated that while you might not permit black market operations or you might render such transactions unenforceable, you did not have to go further than that. I believe this goes considerably further than that and I suggest that it be recommitted to the Special Committee.

Dr. White: The suggestion is made that this be recommitted to the Special Committee. Are there any objections? If not we will so recommit it. That completes the matters raised by Mr. Varvaressos, Chairman of Committee 1.



Greece: Mr. Chairman, there is another question on page 2, Article 9, Alternative (a), Section 2, page 38 of CA/1. The question deals with transactions in gold. The committee proposes that the Fund shall ~~prescribe~~ that transactions in gold by member countries (Reads) Under this clause member countries are permitted to buy gold below the exchange and sell the gold above the exchange. On the other hand they are not ~~permitted~~<sup>prevented</sup> from following a domestic policy of encouragement by means other than paying a higher price for gold.

Dr. White: Delegate from United States.

United States: This provision was referred to the Drafting Committee. I might say I see no objection to the substance of what they are driving at. There is a very distinct difficulty in the language which the Drafting Committee, I believe, is working out. There is no objection to the principle here enunciated. It is the way it has been worded, and the Drafting Committee has that problem already.

Dr. White: The Drafting Committee is now considering that problem and therefore it is not necessary to consider it at this meeting until the Drafting Committee has attempted -- or is it already included in the draft?

United States: That is right.

Dr. White: You mean the Drafting Committee has the problem before them and have suggested a draft which we will come to?

United States: That is right.

Dr. White: Then, if there is no objection we will postpone further discussion on this point until we come to the Drafting Committee provision bearing on this point. I now call on the reporter from Committee 2, Professor Robert Mosse.



Profésson Mosse: Mr. Chairman, I am referring to report of Committee 2, which is Document 333, with the symbols Cl/2, page 3. Committee 2 has completed its study of section 2, conditions confronting purchases of currencies of other members. This committee was faced with four questions embodied in different alternatives or proposals. There was the question of the carry over. You remember this question which has already been discussed whether or not a country which has not used during one twelve-month period its 25%, would be allowed to carry over its remaining purchasing power to another period. Then there was the Australian alternative concerning the enlargement of the early increments allowed. Then there was a Mexican proposal referring to silver, to be brief, and other relative matters. And there was a Cuban proposal referring to warehouse receipts. Concerning the first - the two first questions, an ad hoc committee has studied the question and proposed to Committee 2 a compromise. According to this compromise the carry-over proposal would be dropped and also the Australian proposal, but instead some moderate satisfaction would be given the members wishing those possibilities by introducing or rather by modifying the waiver provisions at the end of the section, and according to this compromise which you have under your eyes, I hope, there would be a kind of instruction given to the Fund or a possibility given to the Fund to allow members in avoiding long or continuous use of the resources, xx allowing the Fund to give them a little more than a normal yearly increment. Also this compromise included this sentence, that in such case the Fund would consider political or exceptional requirements of members. Now the Czechoslovakian Delegation suggested another alternative which simply reversed the order of the terms and, to be brief,



says: "First the waiver will be according to needs and secondly the waiver will be according to the good behavior or small use." Now the Committee approved the text as presented by the ad hoc committee. There are a couple of mistakes, but in order to be fair, I must say that the Czechoslovakian alternative obtained in our committee received a very substantial support and I also have to say that the Australian delegation expressed --- Now also, the question of purchases. We have two questions which I can dispose of very quickly. The second proposal was adopted. This proposal authorized the Fund to take as collateral gold and other securities or other acceptable assets. Now the Cuban suggestion referred to warehouse receipts and also suggested that this warehouse receipt should be accepted as collateral. Now it was the view of the committee that it was not necessary and here there is a mistake in the report. At the end of the paragraph before the last suggestion by the Cuban Delegation were "thought not necessary" our committee felt that it was not necessary to include the words as suggested by the Cuban Delegation because the Mexican alternative also included the same by the use of the words "or other acceptable assets". These acceptable assets might be, if the Fund should so decide, might be considered as including warehouse receipts. This is what the committee did on Section 2 governing purchases. On section 6, the question was removed from our agenda. Section 9, Transferability and Guarantee of the Assets of the Fund, agreement was reached in our committee and therefore I don't feel it necessary to speak more about that. I only have to say that the U.S.S.R. Delegation reserved its position. Now I come to section 10, referring to charges and commissions, page 13.



On this point there was absolutely no agreement, and the question is referred to your Commission. Discussion was on the right of charges and commissions, on the scales, and also on the principle itself. Several delegations said that these charges and commissions have the effect to penalize a country which has been obliged to leave a considerable amount of its national currency in the hands of the Fund, but said some delegations that this was not very fair because it often arises that a country has an unfavorable balance not because it is unwilling to export, but because other countries, creditor countries, are not willing to import, so this question was discussed and is referred back to this Commission.

On Section 12, agreement was reached, Consideration of Representations of the Fund. You have the text and I shall not read.

Then Article IV was also discussed and agreed upon with some minor reservations. Article IV, may I remind you, deals with the changes in par value. Then Section 5 of IV, Uniform Changes in Par Value, was also removed from our agenda and referred to another ad hoc committee of this Commission.

Finally, we had another question, Article XIII, Section 5, concerning the fixation of initial par values. I have the feeling that this discussion was not entirely completed and a small committee was expected to offer a report on this question. Since this report has not yet come into my hands, I cannot tell about what are the results of the committee and subcommittee discussion. I can only mention to you what the issue was. As a matter of fact there were several issues. One was about



the question of provisional or fixing definite initial par values, and another question referred to the position of occupied and then liberated countries. If a country can make use of the resources of the Fund, only after the initial value has been fixed, it follows that liberated countries during a certain length of time may not be able to draw from the Fund because the initial par value is not fixed. Therefore some way should be found to permit, under certain limits, liberated countries to resort to the Fund in this first transitional period, even though the rate of exchange has not been definitely agreed.

Dr. White: The first provision for your consideration will be the first paragraph on page 1 of Document 333, taken separately, I guess, and the first paragraph on page 1 reads: (Reads paragraph)

United States: Mr. Chairman, it seems to me that the recommendation of the committee on this point is entirely appropriate. It safeguards the interests of the Fund and gives it discretion. At the same time it calls to the attention of the Fund the necessity of taking into consideration the basic uses of the Fund by the member and the special needs of the members for periodic and exceptional requirements. It seems to me that we should send this to the Drafting Committee as entirely satisfactory.

Dr. White: Any other views?

Cuba: Mr. Chairman, I don't know if it is in order to ask that the Chair and the Commission accept the interpretation given by the Committee on Warehouse Receipts as being full collateral and considered acceptable under "other assets."



Dr. White: Would you mind if we postpone that until the second paragraph? We are confining the question to views of the first paragraph.

Canada: Point of order; I think there is some misunderstanding here. The reporter has correctly reported the various points of discussion, but Committee 2, of which I am acting chairman, has approved of this paragraph which has not been referred to the Commission. The Committee reached agreement on this paragraph.

Dr. White: Committee 2 has reached agreement on that paragraph.

Canada: The paragraph, with the addition of the Mexican amendment, and all that remains is for the Drafting Committee to deal with the wording. There is no question of principle outstanding, as I understand it, in Committee 2.

Dr. White: The Delegate from Canada points out that both provisions had been passed by Committee 1 and were to go to the Drafting Committee. The question raised by the Delegate from Cuba as to whether or not the collateral changes indicated in the second paragraph could include the warehouse receipts of staple commodities and international trade. Is that your question, Dr. \_\_\_\_\_?

Dr. : Yes, Mr. Chairman. If warehouse receipts are considered as good collateral, included into "other acceptable assets," as it was interpreted by the Committee.

Czechoslovakia: Mr. Chairman, we should like to reserve our position for the Drafting Committee, but if this section 2 could be decided here, then we should like to say that we think there was no change in substance



between our proposals and that accepted by the Committee. We want to stress, first of all, the principle, to say that it is in the Fund's discretion to waive any of these conditions and in the second sentence to say that the Fund, in making such waiver, has to take into consideration two things, the need of a member, and its good ~~behavior~~ name.

Dr. White: I think further discussion of this point is out of order. The matter has been referred to the Drafting Committee and will come to this Commission when the Drafting Committee will incorporate it in the draft. Inasmuch as it is incorporated in the draft, further discussion will be delayed until we come across it in the draft. We then pass to the second point of the committee report, Section 8 of the Multilateral International Clearing arrangement. That was one of the items reported by an ad hoc committee and has already been passed on by this Commission. No part of it was referred back to the special committee. Turn then to Section 9(b).

United States: Committee 2, which considered this question yesterday, was unanimous in agreeing with the principle it provides. I suggest that this be referred to the Drafting Committee and that when corresponding sections involving repurchases ~~have~~ from the Fund have been approved by the Commission, this can be incorporated with the others in the final draft.

Dr. White: The suggestion has been made that this provision be referred back to the Drafting Committee in order for possible incorporation in another drafting. Unless there is any objection, this will be referred to



the Drafting Committee. The next item on the agenda is Section 10 on charges, which, with your permission, I am going to pass until we get the rest of this report.

Section 12 was reported to Committee 2, and was approved by the Committee and therefore is referred to the Drafting Committee. That has already been dealt with and will come before us in Article 4. The same thing is true of Section 5, as we have already dealt with it in the ad hoc committee which has not yet completed its report. Article 13, Section 5--there is a committee considering that, an ad hoc committee, which is to report to the reporter on this matter.

United States: Mr. Chairman, Committee 2, which considered this question yesterday was in full agreement on the principles involved and it seems to me that because of it, we may dispense with the report of the ad hoc committee and send that report to the Drafting Committee directly.

Dr. White: In view of the fact that Committee 2 has considered this provision and was in accord with the principles, the suggestion was made that the matter be referred to the Drafting Committee.

Norway: I do not quite understand, but it is <sup>included</sup> in this report here. It is on one point a little less than--according to my view was agreed upon, and I have already--I really do not know how matters stand, but I only wish to make the reservation because I was also of the opinion that some proviso should deal with the question of an occupied country which had to adopt a completely new monetary unit. That



must be included in the final draft and I call the attention of the Drafting Committee to the fact.

French Delegation: (The Chief of the French Delegation spoke in French.)

Dr. White: Lest there be somebody who would not be able to fully understand everything the minister has said, I will call upon Mr. Istel or his colleague to translate.

Mr. Istel: (read a translation of the minister's talk).

Norway: May I just say that I really think the remarks made by the head of the French Delegation bears on the perfect misunderstanding. The fact ~~that~~ is that it is not claimed from such countries that they shall declare a provisional rate, but if they wish to declare a provisional rate in order to obtain some facilities from the Fund, they shall have that right. If France is afraid of such a penny, there is no reason for France to give such a declaration, and in the provision of this drafting, as <sup>I</sup>suggested to the Drafting Committee, there is also an alternative possibility which would be available for France. I should like to suggest that any suggestion on this point be deferred until we see the text, which will make it clear that Committee 2 has not based itself on the opinions expressed by the French Delegation.

Dr. White: The Delegate from Norway suggests that there might be some misunderstanding of the provision and therefore unnecessary discussion until the draft of the provision is before the Commission for consideration. Unless there are objections then, we will refer this matter to the Drafting Committee.



We now turn to Section 10, charges and commissions, in which the reporter stated there were some differences of opinion on the matter and has placed it before this Commission for consideration. Does anyone wish to comment on the provision?

(38)

New Zealand: The report, on page 13a, together with the tables attached to it, it seems to me that if it was given effect it might be detrimental to the purposes of the Fund, rather than helpful to the purposes of the Fund. The discussion in the committee was very lengthy and very definite. The point of importance in connection with the matter is that the creditor country can have a greater effect of bringing about the results desired than any of the debtor countries. If the country having a majority or the largest volume of the Fund by exporting is willing at the same time to have a large . . . . . we are not likely to have the troubles which were set out here. If there is some procedure that is necessary in this connection I would suggest that we take pains and give some thought to stopping prices of member countries ill-using the Fund. In case that they shouldn't do that, it is quite possible, inside the procedure that you have here, to penalize the countries that do not ill use the Fund, that are placed in difficulties because of certain differences that may arise with the principles set out here in the interchanges. . . . . are wrong and harmful and we will be doing more good inducing that country to take steps other than were taken in previous years when the exports went down and they



never took any imports to enable them to get, make the payment, and as this conference is setting out to try to avoid this, I think a large amount of the difficulties that are occasioned by endeavoring, to be prevented by this table here, in this provision, would be avoided if there was some penalty put on the country that didn't take the imports to pay for their exports. There will be quite a number of countries that will be put into a disadvantageous position, having commodities that they can't export; by the countries competent to import those commodities not doing so, puts them into a bad position and they are penalized, and it seems to me that the proposal here will be detrimental to achieve the purposes of the Fund.

Dr. White: Am I correct in assuming that everyone was able to hear clearly what the Delegate from New Zealand has stated, and it is not necessary to repeat. Therefore, we can ask for further comment.

United States: This matter came up before Committee 2; it seems to me that the Delegate of New Zealand was the only one who strongly expressed that point of view.

Members of Commission: No, No -- I did, and others.

Mr. Brown, United States: I apologize. The United States Delegation made its position very clear in going into this, the purpose of the Fund was to stabilize currencies, and that unless some deterrence was put on countries which utilized the resources of the Fund so as to create over-drafting--have more of their currency in the Fund than they originally put into it, that the Fund would get out of balance. Certain currencies would become scarce and the Fund could not function; that, in the opinion of



the United States Delegation, it was absolutely impossible for this Fund to work unless a deterrent charge was put on countries which would get out of balance and stay out of balance a long while. The charges made were discussed with more opinion expressed by the two or three countries which were opposed to the principle of any charge, or that the charge was too high. The position of the United States delegates was that the charges were very moderate, and if countries used the Fund moderately for a short period after, for several years, before the rate got as high as 4 percent, there was a provision that when the rates got to 5 percent, they should not go higher; that at 4 percent, the Fund should call the countries in and take steps to have them reduce their excessive use of the Fund. It cannot be a Fund for the stabilizing of the ... If the country cannot bring its position into a balance within several years, it is not acting in a way to permit stability of the currency. Objection to the proposition that the rates proposed in the table are high, are considered relative low and it is perfectly clear in this agreement, in the implication of this conference that the United States did not propose in this conference or in this agreement to give up its rights to adopt such import duties as it saw fit to adopt. I think most of this would read that countries do not definitely export more than they import, eventually to take payment in goods, if it can, over a long period of time correct that situation, Doing  
~~do~~ it by the receipt of goods or the export of capital would go on forever. If we regard these charges which



increase both in amount as the amount that is used, as a percentage of the quota, according to the length of time as absolutely necessary and imperative to give effect to the working of this agreement. I am sorry I minimized the dissent on the question of principle . I think Mr. Nash, the delegate from New Zealand, was the one who spoke more fully on the question of principle -- more general criticism of the rates. I think that clearly the great majority of Committee 2 has expressed their opinion, approving the principle of progressive rates, both as to amount and length of time. I want to make the position of the United States clear that I think without accepting the principle, a progressive rate of the use of the Fund, increasing as the amounts in relation to the quotas go up, as to the length of time . . . . the balance of the Fund, that it would be impossible for the United States delegation to go ahead with this plan.

United Kingdom: I feel that I should repeat before this Commission what I said before Committee 2, namely, <sup>to</sup> that/the United Kingdom delegation, the principle lying behind this scale of charges seems reasonable and necessary, and also that so far as at present can be humanly foreseen the scale itself appears to be reasonable. Our sole reservation is concerned with the lack of symmetry in the arrangements which are proposed for the possible alteration upwards or downwards of this whole schedule in the light of future events. As we read the text of the document, as it stands, it will be possible to the Fund to shift this whole scale upwards by a bare majority vote, but in



order for the scale to be shifted down, an amendment of this whole instrument would be required. To us it seems that while revision should not be lightly undertaken, whether upward or downward, the conditions for undertaking it should be symmetrical, and we should like to propose an amendment whereby a two-thirds majority would be required for shifting the schedule either upward or downward.

Dr. White: In view of the hour and the prior ~~understanding~~ understanding that Commission II will begin at 5:00 p.m., and in view of the further fact that a number of delegates would undoubtedly like a brief recess, a continuation of discussion of this will take place at the beginning of our next meeting. I would like to ask this Commission which of the two alternatives is preferable to them; we can either meet to-night at, let us say, half past eight, or we can meet to-morrow morning at 10:00 o'clock. The time is passing rapidly and we must meet as soon as we can, but we don't want to impose ~~an~~ ~~an~~ an evening meeting on you unless the majority of the delegates feel inclined to that idea and express an opinion.