

COMMISSION I

July 14, 1944

Auditorium

10:00 a.m.

CHAIRMAN: The meeting will please come to order. May the Chair take this opportunity to express the gratification of the Commission and the thanks of the Commission to the committees that have been working very late. And the fact that they have been doing so is sufficient indication of the recognition that the time is very urgent, and in as much as the Committees have been working so hard, it would be a little ungenerous of us here to take too much time to consider the various recommendations. Let us take all the time that is necessary, but let's try to keep our remarks down to a bare minimum. We don't want in any way to interfere with careful consideration, but if we avoid unnecessary speeches or repetition, I think we will be able to get through a good deal of the work, but let no member hesitate to raise any question that troubles him, and to speak up when he has anything of any importance to say. We first call upon the reporter of the Special Committee.

REPORTER OF THE SPECIAL COMMITTEE: Mr. Chairman, the Special Committee of Commission I commenced work last night at 8:30 and continued its work until 3:30 this morning to consider items of the Fund Agreement on which recommendations had not been completed by other committees of the Commission. This Special Committee included U.S., Belgium, Canada, China, Cuba, Czechoslovakia, French Delegation, Mexico, Netherlands, New Zealand, U.S.S.R. and U.K. I must say that the Committee had what we all regarded as a very successful meeting, accomplishing the purposes for which it was appointed by the Chair. The spirit of the meeting was of the highest quality, and I hope it will be reflected in the deliberations of this Commission. The full report of the Committee has been presented to the Commission in the form of Document 374.

CHAIRMAN: That contains a full report which was distributed to you this morning entitled "Report of Special Committee of Commission I, July 14, 1944".

REPORTER OF THE SPECIAL COMMITTEE: May I recommend, however, Mr. Chairman for your consideration, the taking up of each of these points in the appropriate order in the drafting committee's report. In that way it will be easier for the group in this Commission to see the appropriateness of the recommendations of the Special Committee in the body of the document itself.

CHAIRMAN: The reporter suggests that we take up each one of the items in the report of the Special Committee in their appropriate place so that it will facilitate their consideration in relation to other paragraphs which would be included in the same article. Unless there is objection the Chair will proceed in that manner.

DELEGATE OF UNITED KINGDOM: I should like to add my tribute to the work, if I may do so, accomplished by the Committee last night, to the high spirit of ^{accommodation} ~~cooperation~~ that was shown under the firm guidance of Mr. Bernstein, and say, I hope the great thoroughness with which many of these matters were discussed in the small hours may save us time this morning.

CHAIRMAN: The Chair proposes to proceed in the following manner unless there is some objection from the members of the Commission. We will take up an article at a time. If any member wishes to consider or reconsider any section, he will, of course, secure the floor and raise the question. But when we come to sections which have been handled by the Special Committee we will take that part first and then we will take the remainder of the ^{Article.} ~~others~~. We turn first to Article I, the ~~proposed~~ purposes.

That includes sections (a), (b), (c), (d), (e) and (f). I may say that the justification for that procedure lies in the fact that we assume every delegate by this time is thoroughly familiar with the various sections, having participated in discussions at subcommittees and committees and commissions, and that, therefore, taking a matter up as an article in the whole should not interfere with the ability of the delegates to follow exactly what is being done, nor should it make difficult their desire to raise a question on any provision which they have in mind to discuss, before the Commission first is Article I, "Purposes". Do I hear any comment.

DELEGATE FROM INDIA: Mr. Chairman, I must first apologize to the Commission for venturing to take up just a few minutes, but I shall certainly keep in mind, Sir, the ^{appeal}~~request~~ that you made that we must be as brief as possible. I am referring to section (b) of Article I, the "purpose" of the Fund. The Indian Delegation would submit a very small amendment to this Article which you will find in page 1a, ^(e) Alternative ^I~~A~~ of the document. The amendment is very brief and very short. It is to add after the words "To facilitate the expansion, (etc.)" the words "with due regard to the needs of economically backward countries". The section would then read as follows: "To facilitate the expansion and balanced growth of international trade and to contribute thereby to the ~~promotion~~ and maintenance of high levels of employment and to the development of the sources of productive power in the territories of all members with due regard to the needs of economically backward countries". I venture to bring this amendment for the attention of this Commission, Sir, because of the very great importance which the Indian Delegation attaches to the principle which is involved in my amendment, and the practical consequences of that ~~amendment~~ amendment. I want to make it

perfectly clear on behalf of the Indian Delegation that it is not our object to enforce upon the Fund obligations and responsibilities which the Fund is not expected to carry and for which the Fund is not equipped. The object of my amendment is only to make fuller or more complete the statement of the primary objective of international policy.

We are in full accord with the general text as stated in the document, namely "the expansion and balanced growth of international trade," but the term "balanced growth" has been understood in a narrow sense as meaning an increase in the volume of trade, which is more or less equal -- imports and exports -- so as to avoid disequilibrium in the international balance of payments. This regard is certainly one of the primary aspects of balanced growth of trade. But such interpretation refers to the mechanical sense in the volume of imports and exports. But we contend that about this the balanced growth of international trade must ^{refer} ~~refer~~, therefore, in our judgment, to an expansion of trade which has a more balanced character and composition, not a simple flow of raw materials and foodstuffs from certain countries and the flow of highly finished articles from other countries, and this object, if it is considered , can only be achieved by greater attention to the development of the resources of the economically backward countries. Sir, it may be objected that this aim cannot be achieved through the Fund, but the same will apply to promotion of high levels of employment which are referred to in this section. The Fund can only indirectly facilitate and give you the general object as a guiding principle, and it is a matter of great importance to the economically backward countries that the Fund should /incorporate this ~~proposal~~ proposal for the operation of the Fund. We are constrained to make this amendment in view of the experience which we have had in the past of the working of

various international organizations during the last twenty years and more. It has been our sad experience that in the working of these organizations the approach to every problem has been from the point of view of economically advanced countries, and it is our ~~xxx~~ answer, sir, that in the new organizations that we are setting up the need of the less advanced countries must be prominently kept in view, and that is the only consideration which impel~~s~~^s us to move this amendment, and I will make one final ~~appeal~~^{acceptance} appeal in commending this amendment for the ~~xxx~~ of this Commission. I want this Commission to realize the psychological value to the world ~~if these words are there in a charter of an international body that we are setting up, the less advanced countries will then have greater hopes of the possibilities of economic development than they were led to believe in the past.~~ that I have suggested. If these words are there in a charter of an international body that we are setting up, the less advanced countries will then have greater hopes of the possibilities of economic development than they were led to believe in the past.

DELEGATE FROM UNITED KINGDOM: Mr. Chairman, I hope that it is in order for me to allude to what is being done elsewhere. If it is so, Mr. Chairman, I would like to address an appeal to our friends who are moving this amendment, to direct their attention to the draft of the statement of principles which has been prepared to affix to the document relating to the Bank. Mr. Chairman, ~~for~~ some of us working at a very late hour the other evening, spent a great deal of time drafting a clause which I venture to suggest fully covers the aspirations which have been so eloquently expressed by the last speaker. We are all in sympathy with those aspirations. Some of us have them very much at heart, but I would urge our Indian friends to reflect at this late hour whether those aspirations are not better satisfied in the framework of the preambles of the Bank than in the framework of the preambles of the Fund.

CHAIRMAN: The Delegate from the United Kingdom expresses complete sympathy with the Indian delegate but feels that the matter is more appropriately taken care of in the statement of purposes of the Bank. The Delegation of the U.S. --

DELEGATE FROM U.S.: I wonder, Mr. Chairman, whether in the interests of quick progress we can refer this paragraph with the suggestion of the Indian Delegation and whatever other information which may arise to the Special Committee.

CHAIRMAN: One would hardly want to delegate that to the Special Committee unless there is anyone who desires any further change. The proposal of one amendment would not in my judgment refer that back to the Committee. Do you have any other thought in mind?

DELEGATE FROM U.S.: I would like to ^{suggest the wording:} facilitate the expansion and balanced growth ~~and the development~~ of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and to the development of the sources of productive power in the territories of all members as primary objectives of economic policy.

CHAIRMAN: You are suggesting a further change. In view of the fact that there have been two changes to be made, the Chair will recommend that the matter be referred to the Special Committee. Now let us take up Article I without Section (b). If there is no comment on that I will ask for a vote. All of those in favor of accepting Article I without Section (b), leaving Section (b) to be referred back to the Special Committee, please say "aye." (CHORUS OF AYES) So approved. Article II. Article II on Membership. Is there any comment on Article II? If no delegate wishes to speak on Article II, I will put that to a vote. All those in favor of accepting Article II, please say "Aye." (CHORUS OF AYES). All those opposed? (NO RESPONSE) The Article is approved. In Article III we have an insert. That is,

item 12 of the Special Committee's Report. It belongs in Article III and we will consider that item first. We are considering merely the item reported by the Special Committee which is item 12. It refers to the time of payment. That appears on page 4 of the Special Committee's Report -- item 12. May I call upon the reporter of the Special Committee to report on that one item?

DELEGATE FROM U.S.: Mr. Chairman, the Committee was unanimous in recommending to the Commission that in determining the gold subscription to the Fund, official holdings of gold and gold convertible exchange be taken as of the time of the entry into force of this agreement.

- CHAIRMAN: You have heard the report of the Special Committee which included the phrase that was read. Is there any comment?

DELEGATE FROM MEXICO: I hope that it will be approved as made.

CHAIRMAN: A vote that it will be approved has been seconded. Any discussion? I will put it to a vote. All those in favor of accepting item 12 as reported by the Special Committee, say "Aye." (CHORUS OF AYES) It is approved. Now then we will take Article III -- the remainder of Article III. ~~May~~

DELEGATE FROM UNITED KINGDOM: Mr. Chairman, may I just be assured that the intended change will now read 10 percent of its net official holdings in gold and.....

CHAIRMAN: I am sorry, Mr. Robertson, but I don't get the significance of your suggestion.

DELEGATE FROM UNITED KINGDOM: I want to be assured that the correction suggested last time is being duly embodied in Article III now on page 3 in place of the phrase "ten percent of its official holdings exchange" read "ten percent of its net official holdings of gold and U.S. dollars."

On the following page it reads "its net official holdings of gold and gold convertible exchange to be paid in gold."

DELEGATE FROM U.S.: It has been my intention to refer to this change when the question of definition arises. I think, however, that it is the thought of those who have considered this question that the change "gold convertible exchange" into "U.S. dollars" would be in effect a restatement of the same principle. There are few, if any, currencies other than U. S. dollars which would now ^{meet} reach this definition and if we may insert it at this point, it would facilitate progress.

CHAIRMAN: Would the delegate from U.K. accept the definition that will come later without making any alterations here. Is that your question? If it would be defined in the definition in the manner which has been suggested, then I gather there is no need to alter this point.

DELEGATE FROM U.S.: I believe the suggestion is that we alter it here and then we need not make

CHAIRMAN: I see. Then the alteration is suggesting replacing gold convertible exchange with U.S. dollars. Any other comments?

DELEGATE FROM U.K.: and adding the word "net" before "official".

DELEGATE FROM U.S.: And that ^{then} will define the concept of "net official" in the definition.

CHAIRMAN: Do I understand that the Committee accepts the affixing of the word "net" at this point.

DELEGATE FROM U.S.: ^{Yes} May use the word "official holdings" and defines ^{it later as net}. ^{It} may use the term "net official" and define it in the definition. In either case the end result is intended to be the same.

CHAIRMAN: Any further comment?

DELEGATE FROM U.S.: It would be necessary to define "net."

DELEGATE FROM THE U.S.: That will be done in the definition.

CHAIRMAN: What was the subject matter of this?

CHAIRMAN: No, that is not precluded from the discussion
this morning. Are there any other comments on Article III?
If there are no other comments, we will call for a vote. All
those in favor of accepting Article III with the exclusion
of the possible recommendation by the Committee on Liberated
Areas which has not yet been submitted to this Commission
and with the alteration of the phrase "U.S. dollars" in place
of "gold convertible exchange" and with the further under-
standing that definition which will be submitted to this
Commission later will take care of and make it "net." With
those changes, all those in favor ~~/X/X/X/X/X/X/X/~~.....

CHAIRMAN: The word "net" will be included here but will be defined in the definition. All those in favor of accepting the Article, say "aye." (CHORUS OF AYES) The Article is

is accepted. We will turn then to Article IV. Article IV, item 1 of the Special Committee Report. Will the reporter discuss it?

DELEGATE FROM U.S.: Mr. Chairman, the Special Committee considers the language appropriate for Section 3 -- Foreign Exchange Dealings Based on Par Values. It was the unanimous view of the Special Committee that the language on page 1 of this report, under recommendation 1, should be adopted by the Commission. May I read that? "Section 3(a) The maximum..... of the Fund."

CHAIRMAN: Would you wish also to report on item (b) of that same section?

DELEGATE FROM US.: Mr. Chairman, on part (b) the Committee agreed that something should be done to reconcile the differences between this language and that of Alternative A to indicate that there is no intent to impose criminal penalties. It was the general view/^{al}though there may have been one or two reservations, that all that can be asked of members is that they bar access to their courts for transactions which are in violation of the exchange regulations of other members.

CHAIRMAN: You have heard the report on item 1 of the Special Committee. Is there any discussion?
Poland?

DELEGATE FROM SOUTH AFRICA: Mr. Chairman, may I ask a question as regard to paragraph (c). You will see ~~from~~ in the report of the reporting delegate that Article C (?) is composed of two sentences. There is some difference of opinion on the first part of Article C (?), but it seems to me that it is the understanding that the second part of this Article C (?) reading "Each member agrees.....this agreement." I would like to state that this second part is agreed upon.

DELEGATE FROM U.S.: I believe that it was the view of the Special Committee last night that that language needed

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certain further definition to make it perfectly clear that cooperation did not include the necessity for imposing criminal penalties in any country which enforced ~~the~~ the regulations of another country. On the other hand, there would be some effort made to express the feeling that ~~was shared~~ that you *wc* should work out some way of cooperating but not so as to involve any use of criminal penalty.

DELEGATE FROM U.S.: I should add that it was the agreement of the Committee in substance. It was also the opinion of this Committee that the appropriate language for this purpose should be prepared by the Drafting Committee.

CHAIRMAN: The statement has been made that the recommendation of the Committee was one of substance; that there are, I gather, some changes to be made in form and possibly in language, but in no way is there to be any alteration in form of substance so that a vote ~~on~~ on this at this stage would be either approval or disapproval, and if ^{it be} approved, that any change we make in the Drafting Committee would not come before this Commission for another vote unless any member felt redrafting further would involve a change of substance. Am I correct in the recommendation?

DELEGATE FROM U.S.: That is the recommendation of the Special Committee, Mr. Chairman.

CHAIRMAN: Is there any further discussion on item 1?

DELEGATE FROM U.K.: We support that, Mr. Chairman.

CHAIRMAN: The Delegate from the U.K. supports that recommendation. Any ~~for~~ other comment? If not, we will put it to a vote. All those in favor, please say "aye." (CHORUS OF AYES) The item is approved. We now come to item 2 which is likewise a part of the same Article. Will the reporter of the Special Committee discuss that -- item 2 - Uniform Changes in Par Value.

DELEGATE FROM US: The item 2 of the report of the Special Committee refers to Section 8 of this Article on Uniform Changes in Par Value.

CHAIRMAN: Section 8 of Article IV is the reference.

DELEGATE FROM U.S.: The Special Committee has had this problem after extended discussion in Committee 2 -- *and an* Ad Hoc Committee --. The problem before the Committee was whether or not a uniform change in the par value of a member's currency would require a majority of the member countries voting as countries. After extended discussion it was unanimously agreed in the Special Committee that the language in this recommendation be reported to this Commission as representing the views of the Special Committee. There may be a statement on the principle to be made by one member of that Committee. May I read that language that is proposed? "The Committee recommends to the Commission." Alternative A would therefore read somewhat as follows. I'll summarize how Alternative A will read. "A uniform change in par values may be made provided a majority of the votes so agreed, including the votes of all countries with 10 percent or more of the aggregate quota. However, any member that prefers not to have the par value of its currency changed in accordance with this uniform change would so notify the Fund within 72 hours and its par value would then remain unchanged."

DELEGATE FROM BELGIUM: Mr. Chairman, I move that the suggestion made by the Special Committee be approved. The Special Committee had before it three alternatives on which no agreement was possible. They agreed on a form which was in fact the first one amended and I move that the Commission accept it.

CHAIRMAN: Do I hear a second?

DELEGATE FROM HONDURAS: I second the motion.

CHAIRMAN: It's open for discussion.

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DELEGATE FROM MEXICO: I regret very much to take a few minutes of the Commission's valuable time. Nevertheless, the Mexican Delegation wishes to make a clear statement of its views on the point under discussion. It should be evident to all the delegates here that in this case we are dealing with one of the fundamental sovereign rights of nations. We must, therefore, be extremely cautious in relinquishing rights which all our governments have sworn to uphold. It is obvious, of course, that international cooperation would be impossible unless we surrender some degree of our sovereign rights, but the question now before this Commission is not whether we shall ask our countries to surrender some measure of its sovereign rights in order to make our cooperation possible and truthful. The question here, gentlemen, is how much of that right need our countries surrender? Mexico is strongly opposed to the original formula, Alternative 1, according to which a uniform change in the par values of all currencies can be affected by the decision of the three major powers alone. We are opposed firstly because should it be approved, the smaller nations would thereby surrender a maximum of their monetary sovereignty to the three largest countries. In the mind of the Mexican Delegation, this is entirely uncalled for and unjustifiable. What reasons are there to submit small countries to the absolute will of the larger ones? How can we help cooperation by blind submission of small countries? Secondly, we are opposed to that formula also because we do not believe it can ever be accepted by a community of self respecting nations, for no one here can seriously believe that small countries would be willing to have the gold parities of their ~~country~~ currencies changed at will by the larger nations. Certainly not a single one of the major powers would be willing to relinquish to a foreign agency the right of fixing the value of its currency. This is indeed one of the ^{at}tributes of the

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sovereignties which are prone to guard most ~~de~~alously. How then can we expect small countries to accept this formula when we submit it to them for ratification? What possible reason would they have for doing so? Thirdly, the Mexican Delegation is against the formula because it is wholly unnecessary. We know, of course, that no country would be ready to submit once more to the rigidity of the gold standard. All of us want a great degree of flexibility, but why should we, in order to obtain such flexibility, set aside the sovereignty of smaller countries that are respecting the larger ones? We hold this entirely unnecessary for in any case the major powers will be able to change the gold parities of their own currencies all at once if they so decide. Inasmuch as they have agree by so doing they would naturally change the international price of gold. Almost all small countries would probably follow suit, but they would do so of their own free will. Thus, are we not really sufficiently insured against rigidity? Why should we/ asksmall countries to participate in decisions which probably will be made as they have always been made in the past without their consent? Why should they give up in vain such large measure of their sovereignty? Lastly, the Mexican Delegation will vote against the original formula because it shows a great disregard for the problems of the smaller nations. Instead it assumes that these countries would have no problems at all if the uniform changes/^{were}agreed upon by the largest ones. It presupposes that smaller countries will change their laws and perhaps even their constitutions.at a minutes'notice, regardless of social or economic difficulties -- it takes for granted that these countries can brush aside if they so desire the gold clause which they might have subscribed in international contracts. But are all these suppositions really valid? Are we not taking too much for granted? The Mexican

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Delegation wants to thank other delegations for their efforts towards conciliation between their point of view and Alternative A. We regret to say, however, that in the matter of principle, a compromise is hardly possible. The essential difference between Alternative B and C before the Commission is that whereas under the former a majority of countries is required to approve a uniform change under the latter a vote of only one-third of the ~~xxx/~~ member countries would be necessary. I must not tire this Commission with all the enumeration of the reasons on which we base our opposition to the South African proposal. Basically, they are the same which I have said before. Suffice it to say, nevertheless, that while Mexico would agree to submit to the decisions taken in this important matter by a majority of countries, she does not consider it necessary for cooperation to accept the of a small minority as proposed by South Africa. Certainly, Mr. Chairman, the implications of this whole question are very serious. It is because Mexico believes sincerely in not doing unto others what she would not wish them to do unto her. That we insist that this Commission approve a formula whereby due respect be paid to the sovereign rights of ^{large and} smaller countries alike.

CHAIRMAN: Notwithstanding the necessity for urgency, I think that we would all recognize that the Delegate from Mexico has been brief when one ~~xxx/~~ takes into consideration the importance of the subject which he was discussing.

? ~~XXXXXXXXXX/FROM/FRENCH/COMITE/~~ Please take a point of order. That you referred this matter yesterday not to the Special Committee but to a sub-committee, the report of which has not been presented to you yet.

DELEGATE FROM FRANCE: I am not the Chairman of the French Delegation but am chairman of the Ad Hoc Committee which was formed to deal with this matter, and I have under-

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stood that the matter would not come up before we would come into agreement with the reporter of the Special Committee which works tonight, and which came to conclusions which apparently were different to those which we adhere to and unanimous with the consent of Mexico. Only by our Special Committee do I suggest, Mr. Chairman, that the matter be delayed to the next Commission so that the Chairman of that Committee can get into agreement with the Chairman of the ~~repp~~ Special Committee.

REPORTING DELEGATE: My understanding was that the report of the Special Committee was in fact that the formula outlined by Mr. Bernstein was in fact acceptable to all who were present at the meeting of the Special Committee. A certain confusion has arisen but I do think that we could save time if we could agree with the words of the Special Committee.

DELEGATE FROM U.S.: I regret if the Special Committee unwittingly assumed that every unsettled question by definition was referred to that Committee. The fault may be ours. We hope, however, the Commission will take the view that the report^{ex}/of the Special Committee be given ^{precedence} receipts and in fact because we have unanimous consent of all the countries represented on this Special Committee and a representative of the French International Committee. This ^{Commission} position will then move forward on the recommendation of the Special Committee.

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Take 2
11 a.m.
ARBrown

DR. WHITE: The Chair regrets the misunderstanding that has taken place.

The Delegate from France.

(The remarks, given in French, by the Delegate were interpreted as follows: "The representative of the French Committee said that he was not present yesterday evening at that meeting")

DR. WHITE: The Chair will request the view of the Commission --

(Interpreter continued as follows: "when this question was discussed at the beginning of the meeting.")

DR. WHITE: The Chair will request the view of the Commission whether we should proceed to act on the recommendation of the Special Committee or whether they would prefer to refer the matter back to the Special Committee in the light of the statement of the Delegate from France.

FRANCE 2: I move that it be referred back to the Special Committee, Mr. Chairman.

DR. WHITE: You move that it be referred back to the Special Committee.

FRANCE 2: Back to the Ad Hoc Committee, not to the Special Committee.

DR. WHITE: Well, then, the question before us is whether to defer consideration and refer this matter back to the Special Committee that has already considered the matter and is reporting unanimously. All those in favor of referring it back to the Special Committee as against voting on the report of the Special Committee, please say "Aye." Is my question clear?

All those who favor referring it back to the Special Committee please say "Aye."

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VOTE: Aye.

DR. WHITE: All those opposed?

VOTE: No.

DR. WHITE: May I put the question again? Apparently, there is some doubt. All those in favor of referring this matter back to the Special Committee who has already considered this matter and has voted unanimously -- I don't want to influence your vote. (Laughter)

FRANCE: We do not understand whether you mean to refer it back to the Ad Hoc Committee or to the Special Committee.

DR. WHITE: I raised the question whether to refer it back to the Special Committee. If the vote to refer it back to the Special Committee is "No," I will then ask whether it should be referred back to the Ad Hoc Committee and if it is not we will put the question before you. All those in favor of referring the matter back to the Special Committee please say "Aye."

VOTE: Aye.

DR. WHITE: Opposed?

VOTE: No.

DR. WHITE: All those in favor of putting it before the Ad Hoc Committee please say "Aye."

VOTE: Aye.

DR. WHITE: All those opposed?

VOTE: No.

DR. WHITE: Let me put now the question of the acceptance of the report by the Special Committee. All those in favor of accepting the report of the Special Committee -- Is that a point of order?

SOUTH AFRICA: May I speak to that point?

DR. WHITE: The Delegate from South Africa.

SOUTH AFRICA: Mr. Chairman, when this matter was before this committee yesterday the statement was made by the Chairman of the Ad Hoc Committee that although at the last meeting of the Ad Hoc Committee there was disagreement he understood that agreement had now been reached as between the members, Mexico dissenting on the proposal originally put by South Africa. That proposal was that for uniform change the following revision should be necessary:

No. 1, that the countries having more than 10% of the quota should agree.

No. 2, that there should be a majority vote of all committees.

No. 3, that 1/3 of the member countries should agree. That, I understood yesterday to be acceptable to everybody.

There was some question of wording which you raised yourself, and, fourth, the matter of getting the wording brought into line was referred back by you to the Ad Hoc Committee, not to the Special Committee.

The Ad Hoc Committee has met and changed only one word or, rather, there was discussion there through the chairman and they have changed only one word for clarification, and the Ad Hoc Committee now brings forward the report to which they thought this Commission agreed yesterday. The Special Committee has, however, brought in a new report which differs in substance from what we understood this Commission to agree to yesterday. In other words, may I suggest with respect to the Special Committee it is on the wrong foot because they have brought in a change of substance. They

have not just redrafted what this Commission was in agreement with yesterday.

DR. WHITE: Owing to the misunderstanding, the Chair asks the view of the Commission whether or not the matter should be referred back to the Ad Hoc Committee. The Chair ascertained that the Commission voted against such proposal. It then inquired of the Commission whether it should be returned by it to the Special Committee. The Commission again voted "No." There is, therefore, before the Commission the question of the acceptance or rejection of a report by the Special Committee. Is there any more discussion on that point?

The Delegate from Colombia.

(The remarks, given in Spanish by the Delegate from Colombia, were interpreted as follows:

"The Chairman of the Delegation from Colombia wishes to state the following: It, The Delegation from Colombia, heartily approves the statement made by the Delegation of Mexico and states that if Alternative A is left as it is now it would make it extremely difficult for their government to approve the agreement.")

DR. WHITE: The Delegate from Belgium.

BELGIUM (DR. GUTT): I heard another statement made by the South African Delegation and I was astonished at that because yesterday at the Special Committee meeting we discussed for a long time that precise amendment and, although there were a good deal of members who were in favor of it, it was not possible to reach an agreement on that, and that is why we had to amend the Alternative A, on which we reached unanimous agreement. Therefore, I support the motion by which we should approve the proposal of the Special Committee.

DR. WHITE: Are there any other comments?

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The Delegate from South Africa.

SOUTH AFRICA: It seems the Commission has decided to deal with the matter which I proposed as an amendment to the report of the Special Committee that we accept Alternative C.. I will explain that with the addition of these words from the report of the Special Committee, "any member not wishing to make a change in its par value may so notify the Fund within 72 hours and be relieved of an obligation to alter its par value."

The effect of that would then be the change of par value -- countries with 10% or more of quota would have to agree, 50% of quotas would have to be cast and 1/3 of the members would have to vote for it. And if, after that, any particular member does not want to change ~~its~~ currency, then it must notify within 72 hours.

I propose that as an amendment to the report of the Special Committee.

DR. WHITE: Then I understand that the amendment contains this difference as against the recommendation by the Committee, that you are adding that the vote by members shall include 1/3 of the members. Is that the only difference?

SOUTH AFRICA: That is the only difference.

DR. WHITE: The Delegate from the United States.

UNITED STATES(MR. LUXFORD): I rise in opposition to the proposed amendment by the Union of South Africa. I would like to emphasize two points here: That I know of no better way to protect the sovereignty of every country present than to give them the full right in the event that they do not want to go along with the uniform change in par value to ad hoc take themselves out of it. Therefore, this provision

could not hurt any country that wishes to say, "We do not want to go along with it." All they have to ~~nd~~ do is give the Fund 72 hours' notice and they have that right.

DR. WHITE: When you say "take themselves out of it" -- take themselves out of what?

UNITED STATES (MR. LUXFORD): Out of the provision. It expressly states that any country "may so notify the Fund within 72 hours and be relieved of an obligation to alter its par value." No better way could be found to protect the sovereignty of every country.

DR. WHITE: Does it apply to small nations as well as large?

UNITED STATES (MR. LUXFORD): Large and small.

DR. WHITE: Any further comments?

The Delegate from France.

FRANCE (MR. ISTEL): Mr. Chairman, as the Ad Hoc Committee had prepared a report on the basis which had been accepted both by the representatives of the United States and of the United Kingdom and that this report is very short, may I read this report?

DR. WHITE: Does the report differ from the amendment by the Delegate from South Africa?

FRANCE: It is practically the same.

DR. WHITE: Then, do you think it is necessary to read it?

FRANCE: Well, it is in order to make it absolutely clear. I would have much preferred that that discussion had not taken place but now it has taken place --

DR. WHITE: Is the matter unclear to any members of the Commission? Is there anyone who doesn't understand what the issue is?

(After a pause) Would it be all right with the Delegate

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from France, then, if we proceed to a vote?

FRANCE: All right.

DR. WHITE: I call for a vote, first, on the amendment offered by the Delegate from South Africa, which added to the 10% and the majority vote and the 72-hour withdrawal the requirement that 1/3 of the member countries approve. Am I correctly stating your amendment, Mr. Delegate?

SOUTH AFRICA: Yes.

DR. WHITE: All those in favor of that amendment signify by saying "Aye."

VOTE: Aye.

DR. WHITE: All those opposed?

VOTE: No.

DR. WHITE: I am afraid I will have to call for hands. All those in favor of the amendment please raise their hands.

VOTE: (Show of hands, the number not stated.)

DR. WHITE: All those opposed?

VOTE: (Show of hands, the number not stated.)

DR. WHITE: The amendment is defeated.

We now go back to the Committee report. All those in favor of accepting the Committee report please raise their hands.

GREECE: May I --

DR. WHITE: Do you raise a point of order?

GREECE: Yes.

DR. WHITE: The Delegate from Greece.

GREECE: I should like to ask why this short 72 hours terms is accepted here. I think it is too short a time to decide the matter if the Fund decides to -- (inaudible)

DR. WHITE: The Delegate from Greece feels that 72 hours is too short a time to permit a country to act properly on the matter.

GREECE: Mr. Chairman, I think it would be a very serious

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decision for the country to declare that it can't accept a decision of the Fund to raise or to reduce the rates, and I think that this country ought to have some much more time. 72 hours is too short.

DR. WHITE: The Delegate from Greece feels that the time 72 hours is too short for any foreign country to be required to act on a matter of such importance.

The Delegate from the United States.

UNITED STATES (MR. BERNSTEIN): Mr. Chairman, a change of this character can be undertaken only by the board of governors. It is not a matter that can be made by the executive directors. Therefore, every member of the Fund would be present, have full notice of the question before the board, every opportunity for prompt consideration would be available to every member on this question.

It appears to me that this is a question on which delay is not possible. If a uniform change in the par value is voted a country that withholds its decision for any extended period of time is merely encouraging the greatest disorder in the exchange markets for its own currency. The world will remain uncertain for an extended period what action will be taken. I know of no better way of destroying the stability of the exchanges than to withhold a decision on such a question. Furthermore, --

GREECE: I am completely satisfied.

(Applause)

DR. WHITE: Is there anything further?

(After a pause) All those in favor of accepting the report of the Committee, please say "Aye."

VOTE: Aye.

DR. WHITE: Opposed?

(None)

DR. WHITE: The report of the Committee is accepted.

We now turn to Article IV. We are going to vote on the whole of Article IV, including these two sections. These two sections haven't been approved. We are now asking approval on the remainder of the article.

Any discussion? Does anyone want to discuss any one of the provisions? If not, I am going to ask for a vote on Article IV as a whole.

All those in favor of accepting Article IV -- Does the Delegate from the Soviet Union wish to discuss this?

THE SOVIET UNION: (Inaudible)

DR. WHITE: I am sorry, I will have to ask you to speak a little louder.

THE SOVIET UNION: The Delegation of the Soviet Union wants to make a (inaudible). Yesterday night there were tendered a new proposal on this point, not discussed today at the Commission.

DR. WHITE: Is the Delegate from the Soviet Union discussing --

THE SOVIET UNION: Excuse me.

DR. WHITE: You have reference to the next article.

We are now calling for a vote on Article IV. All those in favor of Article IV please signify by saying "Aye."

VOTE: Aye.

DR. WHITE: Opposed?

(None)

ARTICLE IV is accepted.

We now come to Article V. The new Article V is the old Article III. There is a little confusion here. We will clear it up in a moment.

The Special Committee had considered two provisions under

Article V. They are listed in the report of the Special Committee as item 3 and item 5. We will first call for a report on item 3.

MR. BERNSTEIN: Mr. Chairman, the item "charges and commissions" which your Special Committee considered and reports on today has been the subject of extended discussion in Committee 2 of Commission I, in this Commission itself and last night and this morning in the Special Committee. It appears to me that there is little need to summarize the views expressed at the Special Committee. I believe ten of the countries represented on the Special Committee agreed to the recommendation of the Committee. Two countries reserved their position on this recommendation.

In substance, what the Committee recommends is the following: That a charge of $\frac{3}{4}$ of 1% be levied by the Fund on exchange transactions in member countries in those cases in which a country initiates a purchase of foreign exchange from the Fund.

The Fund itself may raise this charge to 1% or lower it to $\frac{1}{2}$ %. That is the first point recommended by the Committee.

The second point is to leave to the Fund the levying of reasonable handling charges on gold transactions with members. The Committee, I believe, was unanimous on that one recommendation.

The third recommendation of the Committee is that the table of charges already familiar to you in Alternative B be regarded as standard charges and that they be progressive in the manner indicated in that alternative in time and in amount; that there be a consideration of the position of a member country in the Fund whenever the charge levied on that member rises to 4%.

And, finally, it was recommended by the Committee that

this table of charges be subject to revision downward or upward by a 3/4 vote.

That is the recommendation of the Committee.

DR. WHITE: You have heard the recommendation of the Committee. Did I understand you to say that was the unanimous recommendation of the Special Committee?

MR. BERNSTEIN: Two countries reserved their position on some aspects of the recommendation; one, I believe, on the first part regarding the 3/4% charge for exchange transactions, two, on the levying of charges on excess holdings of currency by the Fund. It is unanimous on the 3/4 vote if the standard charges could be levied.

DR. WHITE: You have heard the report of the Committee. Is there some discussion?

THE Delegate from Bolivia.

BOLIVIA: When this matter was discussed in the Commission or the Committee --

DR. WHITE: Could I ask you to speak a little louder?

BOLIVIA: Certainly. The Bolivian Delegation proposed two changes which I understand have not been taken into account. One, I understand that the Special Committee has as its working paper combined Alternatives A and B on page 13A. Is that right, Mr. Bernstein?

MR. BERNSTEIN: That 's right.

BOLIVIA: On that page there is a paragraph (b), which reads as follows:

"The Fund may levy a reasonable handling charge on any member buying gold from the Fund or selling gold to the Fund."

The proposal was to eliminate the last words, the words appearing after the word "Fund." That is, for selling gold to the Fund, because I feel that it is in the interest of the Fund that gold be sold to the Fund and, besides that,

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there are provisions which compel a country to sell to the Fund the excess of their gold holdings. So I don't think it would be reasonable to impose any charge on the sale of gold to the Fund. That is one point.

And the second one was that the period within which a country could purchase foreign currency from the Fund without any charge be extended to six months. That comes under paragraph (c), 1, amounts ... 25 %.

Those were the two proposals made by the Bolivian Delegation, and I don't see that they have been considered or discussed in any document.

MR. BERNSTEIN: Mr. Chairman.

DR. WHITE: The Delegate from the United States.

MR. BERNSTEIN: The proposal of the Delegate from Bolivia on gold was in fact discussed by the Special Committee. Their recommendation is that the statement on the charges as reported be accepted. But may I explain why we did not accept the amendment or any similar amendment such as that proposed by the Delegate from Bolivia. It is quite clear that the Fund is not expected to levy charges where there is a compulsory sale of gold or foreign exchange to the Fund. Where the initiative comes from a member the Fund levies charges; where the initiative comes from the Fund it is not intended that charges be levied.

On the question whether the Fund can dispense with a charge when it purchases gold, it appears to me that we cannot bind the Fund on that point. So long as any member has a handling charge when it purchases gold from the Fund, so long as steamship and air companies have charges for transportation and insurance companies for

insurance, the Fund may have to charge for its dealings in gold. Otherwise, we may simply be burdening the Fund with the obligation of undertaking every gold transaction in the world, underwriting the costs and providing the currency that would otherwise be acquired outside the Fund. It would be an impossible burden on the Fund. Nevertheless, there may be occasions when the Fund can dispense entirely with charges and for that reason it is recommended that the Fund be given complete discretion in levying reasonable handling charges.

DR. WHITE: Any further discussion?

CHINA: Mr. Chairman --

DR. WHITE: The Delegate from China.

CHINA: This paragraph was discussed last night at length. It was generally recognized that the principle and the table were to help (inaudible) serve a large number of nations. Otherwise, the Fund may be tied up in long-term borrowings and the benefit of the Fund would be limited to a small number of countries. It was generally agreed that the principle of these charges was sound and the schedule was reasonable. Therefore, Mr. Chairman, I move acceptance of this report.

DR. WHITE: The Delegate from China moves acceptance of the report.

MEXICO: I second the motion, Mr. Chairman.

DR. WHITE: The motion has been seconded by the Delegate from Mexico.

The Delegate from New Zealand has the floor.
Mr. Chairman,

NEW ZEALAND: /As New Zealand was one of the countries which tabled a reservation about the scale of fees and as the Chairman of the New Zealand Delegation is not here, I wish to ask leave to state very briefly New Zealand's attitude about these charges.

We feel very strongly that in principle they are not in the best interests of carrying out the spirit of the Fund as a whole. A country which wishes to cooperate with the spirit of the Fund and to assist in international trade will both export and import to the fullest extent of its ability, having regard to balancing its payments in exchange over the period. To the extent that these charges are designed not for revenue purposes but to discourage leaning on the Fund within the proper scope of its provisions, they actually do impede a country which desires to cooperate with the Fund to the fullest extent of its ability. Therefore, it is earnestly urged that other means of dealing with those countries who do not cooperate with the spirit of the Fund or who lean on the resources of the Fund too heavily and for too long should be found. If it were done the countries who were delinquent would be dealt with for their delinquencies and, on the other hand, those countries which do cooperate to the best of their ability in carrying out the spirit of the Fund would not be penalized in any way but, rather, encouraged.

DR. WHITE: Have any of the delegates not been able to hear the Delegate from New Zealand?

(No reply.)

Then it will not be necessary to summarize what the Delegate from New Zealand has said.

The Delegate from the United Kingdom asked for the floor.

UNITED KINGDOM: Mr. Chairman, the degree of accommodation which has been reached on this difficult matter, while not complete, is very great and I feel very gratified, and I hope that the Commission will accept this report.

DR. WHITE: Any further discussion?

CANADA: Mr. Chairman.

DR. WHITE: The Delegate from Canada.

CANADA: I think we ought not to leave this discussion without making two points clear. In the first place, it is, as I understand it, not possible to operate this Fund without a scale of charges very much as the one suggested. In the second place, the point raised by the Delegate from New Zealand is very effective and I may say very generously dealt with on the part of those countries which might conceivably come under it in the section on "Scarce Currency" much more effectively than it would possibly be dealt with by a scale of charges such as suggested by the Delegate from New Zealand on what we might call "creditor" countries, and I think we should certainly accept the report of the Committee.

DR. WHITE: Is there any further comment. If not, the Chair will put the matter to a vote.

(After a pause) Those in favor of accepting the report and the recommendations of the Special Committee on charges and commissions please say "Aye."

VOTE: Aye.

DR. WHITE: Opposed?

VOTE: No. (One voice)

DR. WHITE: The report is accepted.

We will now turn to item 5, which also is included in this article. We are skipping item 4 because that belongs to another article. We are now going to report on item 5, page 2, of the Special Committee's report.

MR. BERNSTEIN: Mr. Chairman, on this section of Article V there was considerable discussion. It was not possible in this, as in one or two other cases, to provide the Special Committee the final language. It was possible for the Special Committee to discuss the principles involved

and to secure a consensus on the question.

I summarize the views of the Committee as follows:
So far as regards the rights of a country to repurchase its currency from the Fund with gold, there was unanimous agreement. That is Alternative A, page 16.

So far as regards the principle that a country which uses the resources of the Fund so that the Fund's holdings of its currency rise during the financial year of the Fund, that member should be obligated to repurchase from the Fund enough of the Fund's holdings of its currency to assure that it has drawn upon its independent monetary reserve to the same extent as it has drawn on the Fund. That is the principle. On that principle I think there was general agreement, with perhaps one reservation. On the matter of implementing it, in the case of countries who keep their monetary reserve in the form not only of gold but of other currencies, it was agreed that some appropriate method of utilizing each type of reserve would have to be worked out. The Committee showing full confidence in Professor Robertson, turned over the principle to him in the light of the discussion of the Committee and requested that he draft a provision which would make that principle quite clear. On the principle, except I believe with one reservation, there was no disagreement whatever in the Committee.

The second part of this same provision (a) states that when a member country is increasing its monetary reserve after having made use of them in the manner already described, if there is still an increase in its monetary reserve it shall thereafter repurchase from the Fund the Fund's holdings of its currency to the extent of one-half of the increase in those monetary reserves during the year, though this provision should not apply to a country

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whose monetary reserves are less than its quota, nor should the obligation to repurchase be extended if the funds or holdings of that currency are down to 75% of the quota. On this point, too, there was, I believe, general agreement in the Committee with perhaps one reservation, and it was again suggested ~~xxx~~ and agreed in the Committee that Professor Robertson be entrusted with the preparation of a statement embodying the substance and giving effect to the concept of appropriate -- whether gold or other types of monetary reserves should be used for this purpose.

The Committee's report on the same section also involves the obligation of a member country whose currency is not used in international trade to repurchase its currency from the Fund with the whole of the increment in its convertible currencies in its monetary reserves in the form of foreign exchange which it has built up as a result of transactions with third countries. That is the question that had already been accepted by this Commission yesterday. There was no need for further consideration by the Committee. It was merely embodied at this point because of its logical position. Though the Committee approves of it, I doubt whether it is before this Commission in any sense, having been approved yesterday.

DR. WHITE: The last point only?

MR. BERNSTEIN: The last point only.

One final point, that none of these obligations can be imposed by the Fund on a member where it involves the purchase by the Fund of a member's currency whose holdings the Fund already has in excess of the member's currency which would be repurchased, both being reckoned in terms of proportion of the quota.

And, finally, in the transfer of any currency to the

Fund under any of these provisions the consensus of the members ^{where} ~~was~~ currency being transferred would be required.

That is the recommendation of the Committee. That will be available in the language drafted by Professor Robertson, which would then be submitted to the Drafting Committee if this Commission approves it.

DR. WHITE: The Delegate from France.

FRANCE: Concerning this section about the acquisitions of gold by the Fund as submitted now by the Special Committee, we are somewhat in doubt about the exact meaning and interpretation, especially when we are comparing with the original text of the Joint Statement, and we have one interpretation which I would like to lay down upon you gentlemen in order to contribute to clarification.

I understand from this new text that now with this new text practically the yearly drawing power or, if you prefer so, the drawing power for a 12-month period, will be reduced for the countries having ~~a~~ gold reserves and convertible currency in excess of their quota -- will be reduced from 25% to 12½% because in this text, if this interpretation is correct, there is the necessity of paying half in gold. Now, you remember, gentlemen, that the various discussions concerning the purchases of currency in another article lead to a relatively small amount -- I mean that particularly the concessions made were very small and were only 25%. Now, in the case of such countries having more than an excess of their quota it is not longer, if this interpretation is correct, 25% but 12% in a 12-month period. Now, if this interpretation is correct, I want to draw the attention of ^{of the} this assembly to the importance/question and if this interpretation is correct we would reserve our right to speak again about it.

DR. WHITE: I understood the question. I doubt whether that interpretation is correct. I call on the Reporting Delegate from the United States to answer.

MR. BERNSTEIN: Mr. Chairman, I regret to say that the interpretation of Professor Mosse is not correct. There is nothing in this provision which in any way limits the right of a country to proceed with its purchases of exchange from the Fund, all other conditions being complied with, to 25% of its quota in any 12-month period. I doubt whether a lengthy exposition of this fact is needed, but if it is it can be given.

FRANCE (MR. MOSSE): I am glad to know that my interpretation is not correct .

DR. WHITE: Any further discussion on this point?

The Delegate from the Soviet Union.

THE SOVIET UNION: Mr. Chairman, the Delegation of the U. S. S. R. wants to make two remarks concerning these principles governing the repurchase of currency from the Fund. What concerns the first point, (a), this text was sent to us only yesterday late in the night and the Soviet Delegation had no opportunity to consider this text and to make the (inaudible). Therefore, the Soviet Delegation wants to reserve its right to refer to this question when we have the opportunity to consider it and I think it would be better when the Drafting Committee will elaborate the final text.

What concerns the second part of this text, tendered to us yesterday night, the paragraph (b), we want to point out that when this paragraph was discussed in this Special Committee yesterday it raises the question if it is standard (intended) that the countries put definite piece in a currency of another member country should be obligated to offer this

increase to the Fund for repurchase of their currency immediately at every particular transaction, or it is meant that they will repurchase by this increase their currency at some intervals, at the end of a financial year or something like it.

And the second question which we raised yesterday was, if a country had any such an increase of a currency of a third country would it be entitled to use this increase for payments of a normal amortization of its foreign debts expressed in this currency.

The United States Delegation explained to us that it is not meant to require the repurchase of a currency immediately after every transaction but it is meant to divide it at short periods of time and, secondly, that such countries would be able to use this increase for the payment of normal amortizations of their foreign debt.

We should like to call the attention of this explanation to the Drafting Committee and in the drafting to include this clause: "The Soviet Delegation has no objection against this (inaudible)."

DR. WHITE: The Delegation from the Soviet Union has indicated that it did not receive a copy of the proposed provision (a) in time to give it adequate study. That is regrettable. However, one must bear in mind that the proposal differs very little in substance from the material which has been under discussion for many months.

MR. BERNSTEIN: Mr. Chairman, --

DR. WHITE: And the Soviet Union also points out that with regard to (b) there is no difference in principle but he is calling attention of the Drafting Committee to certain

interpretations which he has stated have been given by the Committee and would wish the Drafting Committee to take note of such interpretations and make them a little more explicit.

The Delegate from the United States.

MR. BERNSTEIN: Mr. Chairman, I regret that a copy of this statement was not available to the Delegate from the Soviet Union, but I call attention to this important fact, that this provision, word for word with the exception, I believe, of two words ^{not} appropriated, has been in the hands of the Soviet experts for three or four weeks. The preparatory work of the technical men at Atlantic City involved the study of precisely this provision which has now been changed as a statement of principles to include only two words. Nevertheless, I do recognize that it would have been desirable to give longer notice, prior to producing it before the Special Committee, that it is the same provision which was being considered.

On the other point, I gather that no further statement is needed. In Committee 2 the point raised by the representative of the Soviet Union on the use of currencies acquired by a country through dealings with third countries was fully covered in the Committee and in a memorandum to the Committee. There is no doubt that ^{it is} ~~the~~ freedom to use the resources acquired in that way.

DR. WHITE: In view of the difficulties of language and the fact that this is a very complex clause, the fact that the Soviet Union didn't have adequate time to ascertain how much difference there was in this new draft and others must be taken into consideration. There may be only small changes but you couldn't tell that unless you had an opportunity to study it, and particularly unless you had an

opportunity to translate it into the language with which they were most familiar.

Is there any further discussion?

The Delegate from Greece.

GREECE (MR. VARVARESSOS): Mr. Chairman, if I understood from the very clear explanations of the member from the United States and from his report that in connection with the obligations expressed in paragraph (b) on page 3 that the member country will not be asked to repurchase his initial contribution in local currency through ~~xx~~ foreign exchange acquired in accordance with paragraph (b). And this refers only to any local currency which the Fund would hold in excess of the original subscription of the country. That is to say, in excess of 75% of its quota. That is what I have always understood from the declarations and I ask if it is the exact interpretation.

MR. BERNSTEIN: The interpretation, Mr. Chairman, is ~~not~~ correct when applied to provision (b). Provision (b) covers the case of a country which is asked to finance its favorable balance of payments. In financing its favorable balance of payments, if it dealt directly in its own currency, the Fund would be fully authorized to go below 75% of its quota. The accidental fact that a country -- for example, Greece -- may carry on its foreign trade in sterling or in dollars, ^{original} is not to limit the funds ^{use} out of the subscription of Greece, ^{to} treat Greece, or any other country in the same position, ⁱⁿ precisely the same way as the United States and the United Kingdom ^{are} treated in the use of the subscription to the Fund, no limit can be placed in that respect.

DR. WHITE: Any further discussion?

The Delegate from Greece.

GREECE: Mr. Chairman, may I ask, is there any

difference between a country who originally has a large amount of holdings in foreign exchange and gold and a country which afterwards may acquire some foreign exchange and gold by accepting payments in currency and gold by a third country than the countries interested in these accounts?

If, for example, a country has large holdings of foreign exchange and gold, this country is not asked to contribute to the Fund by more than 25% of its quota in gold and convertible currency. Why, then, a country which afterwards acquires by any means whatever some foreign exchange will be required to repurchase its local currency by this gold or foreign exchange.

DR. WHITE: The Delegate from Czechoslovakia.

CZECHOSLOVAKIA: I should like to draw the attention of the Commission to the fact that if the wording of the first sentence, "The Fund ^{not} shall require" is ^{not} correct and ought to be their main requirement, then it is all right, but I am not quite sure, having just heard ^{it} last night.

DR. WHITE: The Delegate from the United States.

MR. BERNSTEIN: Mr. Chairman, on the point of the Delegate from Czechoslovakia, it was clear that there was a mixture of "shall" and "may." involved there. In the case of gold, for example, it was clear that the "shall" was intended. In the case of currencies, since the Fund may find it already has adequate amounts of the currency tendered, and particularly in connection with the proportions set forth in the very last paragraph, ~~if~~ it should probably be interpreted as "may." I understood the Special Committee turned the problem over to Professor Robertson to prepare the appropriate draft.

DR. WHITE: The Delegate from the United Kingdom.

UNITED KINGDOM (PROFESSOR ROBERTSON): I am afraid I misunderstood the instruction in that respect. I thought the word "may" was to be substituted for "shall" in both places where it occurred. I would like to be clear upon that before I begin.

DR. WHITE: The Chair is not quite clear which "shall" is being referred to. Will the Delegate from Czechoslovakia repeat that?

CZECHOSLOVAKIA: It is the 5th line of the first sentence.

DR. WHITE: Suggest that it "may" require?

CZECHOSLOVAKIA: Yes.

DR. WHITE: Might the Chair interpret that as calling for a change of considerable substance in the provision?

The Delegate from the United States.

MR. BERNSTEIN: Mr. Chairman, there are two stages in this. That is what causes the difficulty. The Fund shall require that the member offer the gold and the currency. The Fund, in turn, is in the position where it may not wish to take the currency, in which case there can be no compulsion on the Fund. It is that successive "shall" and "may" which leads to the difficulty in finding a single word covering both contingencies.

I should suggest that when the draft has been prepared by Professor Robertson, since it will embody a great deal more of the technique by which the Fund will -- or ~~that~~ a member will repurchase from the Fund the currency it holds, it might then be simple to make clear what is the precise point of the "shall" and "may."

UNITED KINGDOM (PROFESSOR ROBERTSON): I am very sorry, but I am afraid to leave this matter as it stands. As I understand, the word "may" will be correct in both cases --

"the Fund may require." That is qualified by the fact that there are certain respects in which the Fund shall not make the (inaudible word)? That is the last paragraph of all here. But apart from that the Fund has no discretion, as I understand it, whether it takes or does not take.

DR. WHITE: The Chair sympathizes with the doubt of the Delegate from the United Kingdom as regards the change from "shall" to "may" as it is one of substance, and the uncertainties would seem to preclude the Delegate from the United Kingdom from drafting the will of the Commission unless that is clarified.

The Delegate from New Zealand.

NEW ZEALAND: Mr. Chairman, if I can make a small contribution in this respect, as the delegate who raised the question as to whether it should be "shall" or "will" -- That is what you said?

ANSWER: "Shall" or "may."

NEW ZEALAND: "Shall" or "may" -- as to whether it should be obligated beyond the future, my understanding was that the Special Committee last night left it that it would be altered to "may." In other words, there was no reservation specifically in favor of leaving the "shall."

INDIA: Mr. Chairman, --

DR. WHITE: The Delegate from India.

INDIA: There is one point which is not quite clear to me in the light of the question raised by the Delegate from Greece. The U. S. A. delegate tried to explain the position. My difficulty is this: If a member country does not draw on the Fund at all but as a result of transactions with other member countries acquires gold or convertible exchange, what is the obligation on such member?

Will the Fund require such member to hand over its additional holding of gold or convertible exchange against its currency held by the Fund and (inaudible word) that a member country will have to hold its currency in the Fund below 75% of its quota?

MR. BERNSTEIN: Mr. Chairman, that is precisely the intention.

Let me explain again what is the purpose of this provision. If all of India's transactions were expressed in rupees there would be no problem but that the country with an unfavorable balance of payments with India would have access to the Fund to buy rupees and pay for those rupees with its local currency. India would then have financed the favorable balance of payments it has with other countries to the extent that other countries are eligible to use the resources of the Fund and to the extent that the Fund has resources of rupees. That would be the fact if all of India's transactions were in currencies other than rupees. If all of India's transactions were in currencies other than rupees but in each instance in the currency of another member, all the members with whom it is trading, India would then have the option of holding such currency. There is no intention to deny India that option. If India has a favorable balance of payments with the United States dealing with the United States in dollars, it would under this provision be permitted to keep all of the dollars that it acquires in that way. If India has a favorable balance of payments in dollar dealings with other countries it will have ^{forced} ~~compelled~~ on these other countries the use of their monetary reserves or the use of the Fund's resources of dollars to settle an unfavorable

balance of payments with India, ¹It would in effect have shifted away from itself any obligation, any responsibility, to help finance adverse balances of payments with other countries.

Does that answer the question?

INDIA: It answers the question, Mr. Chairman, but if Mr. Bernstein's interpretation is correct, pushed to its logical extreme, what will happen in the case of a member country that no part of its quota at a certain time may be had in its own currency?

MR. BERNSTEIN: I am afraid I don't understand that statement. If I could have a concrete illustration it might be easier for me.

DR. WHITE: I think, Mr. Chairman, that it might be helpful to clear that point up if you look at the last four lines of that last section (a) in which it says, "After ~~all~~ these adjustments have been made its reserves do not stand below its quota nor the Fund's holdings of the currency below 75 percent of its quota."

In other words, if the country has purchased enough back so that there is only 75% left or if from the very inception the particular country has bought no foreign exchange with its local currency, it is under no obligation to repurchase any further currency and it can continue to increase its gold holdings.

MR. BERNSTEIN: That is correct, Mr. Chairman, so far --

DR. WHITE: As this provision is concerned.

MR. BERNSTEIN: -- so far as ^{part of that} this/provision is concerned.

In part (b) there is a limitation but not in terms of 75%. The Fund cannot have to surrender a currency which is less scarce than its own. That is to say, the Fund cannot draw

down rupees steadily in order to built up even larger balances of another currency in its own holdings. There is that limitation.

INDIA: It follows the view I expressed, that if the Fund operates in a manner by which it will (inaudible) rupee holdings it might well reach a stage where the Fund's holdings of rypees were extremely small -- nil or an infinitesimal part of its quota.

MR. BERNSTEIN: Mr. Chairman, the percentage could never be nil. It is very unlikely that the percentage could even be so low as to be a scarce currency, for this reason. The Fund may not sell to India rupees and take in exchange dollars or sterling or any other currency.whose holdings it has in the larger proportionate amount. It cannot make rupees scarcer than the currency that is being offered. That is point No. 1. That is full protection in that sense.

The second point is, putting aside the arithmetic, if India dealt in rupees in its foreign trade it might be true that the Fund's holdings of rupees would fall until it is a scarce currency. It might happen. It is less likely to happen under this provision --less likely. It is conceivable in an extreme case that it would happen here, too.

DR. WHITE: The Chairman would like, the Commission and Delegations, to speak on this point. I should like to turn the Commission over to the Vice President and ask his permission but the Vice President is not here and so I shall have to ask the approval of the Commission to speak on this point. Anyone not in favor of permitting me to speak, please say so.

(No response)

I will not be long. I want to speak because I consider this matter quite important.

The question of whether this shall be "shall" or "may" relates to the vital question of the strength of the Fund. It relates to the question as to whether all members of the Fund shall be in a position to participate in the increasing strength of the Fund. The requirement is that when a country is increasing its gold holdings it should give to the Fund the possibility of participating in that increase. You thereby assure that the Fund remains strong in the sense that there are always the resources in the Fund to acquire any currency that is becoming scarce.

That means that the Fund will be in a position to not only acquire more scarce currencies but that the Fund will always be in a position to restore its makeup, its structure, to the original position and thereby function as a stabilization fund, which is its primary purpose.

The insertion of the word "may" would subject the board of directors, the Executive Committee, to all kinds of pressures on the part of countries who for one reason or another would prefer to increase their own gold holdings at the expense of the rest of the members of the Fund. By the insertion of the word "shall" instead of "may" all that pressure ceases. It merely becomes then a matter of applying the principle. There will no longer be the question as to whether or not the Fund is favoring this country or that country. It will become an instrumentality to increase the strength of the Fund without in any way diminishing the weakest country involved because the country that is required to repurchase the additional local currency which it has but in the first place has been increasing its gold holdings so that it never has only so much as it has before.

Remember, this is only sharing in the increase, and it is sharing in the increase in a manner which increases the strength of the Fund and makes it possible for other members to participate in that strength.

Therefore, I would strongly urge that the wording at that point "shall" shall not be replaced by the word "may," and that the Delegate from the United Kingdom be instructed in his drafting to use the word "shall" at that point.

UNITED KINGDOM: That is the second "shall" two lines from the end of the page? Is that right?

DR. WHITE: I was referring to "shall" in the fifth line of (a).

UNITED KINGDOM: The word occurs twice._

DR. WHITE: The second one?

UNITED KINGDOM: -- first in the fifth line and secondly in the last line or two at the end of the page.

Is it the wish of the Commission that "shall" shall rule in both those places?

DR. WHITE: It would appear to me that the logic of the situation requiring the first "shall" would likewise require the second "shall."

The Delegate of the United States.

MR. BERNSTEIN: Mr. Chairman, I understand the
and
difficulty to arise from this fact, /that when we understand the difficulty I think there is no difference of opinion as to how we proceed. Under this provision a member must offer to the Fund part of an increment of its monetary reserve. Those monetary reserves consist of gold and certain currency. We want to assure the Fund the opportunity of strengthening its position by acquiring the gold. We want to assure the Fund that it will not diminish its

liquidity by acquiring currency of which it has already an ample supply. Therefore, on the first, the acquisition of the gold, the liquidity of the Fund always being strengthened by the transaction, the "shall" part is appropriate. On the part where it is an acquisition of currencies the Fund must have the option of not taking it.

UNITED KINGDOM: No. That is not my understanding of what is being said in any of these discussions. My understanding is that I am instructed to draft something which will make the distribution of what is handed over between the different currencies and gold subject to purely automatic test so that there will be no discretion with the Fund to say it will not have this currency and it will not have that one. It is a fundamental point.

DR. WHITE: It was the understanding of the Chair that it was clearly understood that the discretion of the Fund shall not be whether it shall or shall not take a particular currency, except in instances -- and this is the important point which I gather Mr. Bernstein is making and which it was my understanding was agreed on in the committee meetings -- except where the purchase or the required sale of that particular currency makes any other currency scarcer than the currency in question, those exceptions which would be the great justification for applying any flexible authority on the part of the Fund. Is that your understanding, Mr. Bernstein?

MR. BERNSTEIN: Mr. Chairman, I regret the very crude language I used. I should have worded it with mathematical accuracy, in which case it probably would not have been so disturbing. It is simply this: While a member is obligated to offer a certain portion of the increment of its monetary reserve in the form of currency, that requirement will not

apply when the currency that is being offered is more abundant than the currency that would be withdrawn, in which case if it is so clearly stated perhaps the "shall" would be completely satisfactory.

DR. WHITE: That's right. The use of the word "shall" and the proviso, I think, would take care of the uncertainty which prevails.

UNITED KINGDOM: I am happy to think that there is, after all, no real difference, that this what you call an "exceptional" case is not an exception to the principle that the Fund may not exercise its discretion.

DR. WHITE: The Chair will now ask for a vote on that provision, item 5 as recommended by the Special Committee. All those in favor of accepting item 5, please say "Aye."

VOTE: Aye.

DR. WHITE: Those opposed?

(None)

DR. WHITE: It is approved, and the Chair notes the reservation of the Soviet Union on the part (a).

GREECE: Mr. Chairman, --

DR. WHITE: The Delegate from Greece.

GREECE: I am compelled to reserve my opinion until I see the actual draft of the committee because I am afraid that, if I understand well, the explanations given by the United States representative that any country who is in weak currency which is not accepted in international payments and which country is obliged to ask for other member's currencies for his payments will not be permitted to have a favorable balance of payments unless this country is obligated to repurchase the initial subscription of its currency in the Fund. Therefore, I think this interpretation is not just.

DR. WHITE: When the Drafting Committee reports, the Delegate from Greece will have an opportunity to study it carefully and earnestly, whether the drafting alters in substance the provision as accepted in principle by the Commission.

REPORTING DELEGATE: May I say as Chairman of the Drafting Committee that nothing has given me greater pleasure than to have the drafting of this committed to the skilled hands of Professor Robertson.

DR. WHITE: The Delegate of the United States.

MR. BERNSTEIN: I regret I must report on a point which I am informed may have been misunderstood. That is the question of Professor Mosse.

I would like to make clear again what it is I have in mind. As I understood Professor Mosse's point, he believed that, as stated in this last provision we have before us, if a country -- France, for example -- should buy foreign exchange from the Fund the very technique that is laid down in this provision just ^{considered} concluded would in fact compel a limitation of France's use of the resources of the Fund to $12\frac{1}{2}\%$ a year since it would buy 25% and, assuming that no change had taken place in its monetary reserve, it would repurchase $12\frac{1}{2}\%$.

In my opinion, that statement is not correct. If France needs 50% of its quota in foreign exchange, it can finance this by buying 25% from the Fund in gold and by paying for the other 25% in its national currency.

DR. WHITE: I think the Commission understood that that was your exposition in the first place.

May we now turn to the next item, Article V, with the inclusion of the two provisions which have just been accepted?

The whole of Article V is now before the Commission for acceptance or amendment with the exception of the two provisions which have just been accepted.

All those in favor -- Or, is there any comment anyone wishes to make on any other provisions in Article V?

(After a pause) If not, the Chair will ask for a vote of those in favor of Article V completely -- please say "Aye."

VOTE: Aye.

DR. WHITE: All those opposed?

(None)

DR. WHITE: Then, Article V is accepted.

We now turn to Article VI, item 4 on page 2 of the Special Committee's report. Article VI is ready for your vote. Does anyone wish to discuss Article VI on Capital Transfers, which has already been discussed in the earlier meeting?

(After a pause) Then, I will put Article VI to a vote of the Commission. All those in favor of Article VI labeled "Capital Transfers" please say "Aye."

VOTE: Aye.

DR. WHITE: Opposed?

(None)

Then Article VI is accepted by the Commission.

Article VII, dealing with Scarce Currencies, is the next article before you. That is also complete.

Is there anyone who wishes to discuss any one of the provisions in Article VII? (After a pause) If not, I shall call for a vote on Article VII. All those in favor of Article VII in toto please say "Aye."

VOTE: Aye.

DR. WHITE: Opposed?

(None)

Article VII is accepted.

In Article VIII, we will call on the Special Committee to report on item 4, page 2, of its report, which belongs under Article VIII.

MR. BERNSTEIN: Mr. Chairman, for easier reference by this Commission, I ask that they turn to page 14 where the last four items on the page are marked "Not yet available."

DR. WHITE: Page 14 of what?

MR. BERNSTEIN: Page 14 of the Drafting Committee Annex 2.

May we cross out the part marked "section 4," which is in fact the (b) clause which we have just considered.

DR. WHITE: Would you please repeat that?

MR. BERNSTEIN: Section 4 of Article VIII, "Acceptance of Currency from the Fund," has been replaced by the (b) clause we have just discussed.

DR. WHITE: Then, that is deleted as having been already discussed.

MR. BERNSTEIN: That is correct.

Section 2.

REPORTING DELEGATE: Before we leave that, I don't think there is a relationship between the (b) clause that we have discussed and what was previously covered by section 4, but I would suggest that the Drafting Committee be instructed to consider whether the old section 4 remains necessary in view of the (b) clause which has been approved. I am not certain that it still isn't necessary.

MR. BERNSTEIN: Mr. Chairman, I see no objection to leaving to the Drafting Committee consideration whether the new text which will be available supersedes completely the old text or whether some segment of the old text is still necessary.

DR. WHITE: You are now going to discuss provision 4 labeled "Multilateral International Clearing" as reported by your Special Committee.

MR. BERNSTEIN: Mr. Chairman, the Special Committee considered at some length the meaning of certain aspects of Article VIII, section 3, on Multilateral International Clearing.

DR. WHITE: May I interrupt and ask whether that, likewise, will replace section 3 on page 14 which you mentioned?

MR. BERNSTEIN: That is section 3, page 14, we are talking about now.

The problem before the Committee was not one of substance, but of interpretation. The Committee was asked to express its views on two points in connection with multilateral international clearing.

The first was whether the obligation to repurchase its currency by a member when such currency is in the hands of another member shall extend also to the repurchase of balances which are being transferred as capital for the acquisition of securities or for the holding of balances elsewhere.

After extended discussion, much consideration was given to the fact that in Article V on "Capital Transfers" there is provision for certain capital transfers to be financed through exchange acquired from the Fund, their general desirability being recognized, despite that it was the opinion of the Committee that the right of a country to control capital transfers is unlimited, precisely as Article V now states. In this provision there is, however, a statement that where a country wishes to transfer funds for the purpose of acquiring goods, for paying for current transactions, the

capital transfer aspect would not be regarded as applying. That, I understand, was the sense of our Committee. There may have been one or two reservations, though toward the end it seemed to me there were few, indeed. Those are the points. Mr. Chairman, might we proceed on that point before going to the second?

DR. WHITE: Any further discussion on that point?

(After a pause) Would you continue, then, with the remainder?

MR. BERNSTEIN: The second point, Mr. Chairman, was --

DR. WHITE: Before proceeding, it may be helpful to call your attention to the fact that what is being discussed at that point was Document 329, for those who wish to refer to it, that had been discussed yesterday and which was really referred to the Special Committee for some interpretation which will continue with the report.

MR. BERNSTEIN: The second point placed before the Special Committee was again a matter of interpretation. There was agreement on the language, and inquiry was pressed as to whether the last clause "nor shall 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" should be interpreted to mean that this obligation to redeem one's own currency under certain conditions is terminated when the Fund's holdings of a member's currency has reached 200% or whether it may be terminated at certain intervals when it has exhausted its 25% for any 12-month period.

After some discussion, it was agreed in the Committee that any termination for any cause of the right of a member to acquire foreign exchange from the Fund constitutes a termination of this obligation, without prejudicing, however,

the other obligations which may be involved in ^{1X-} 5 or ^{1X-} 6.

On that I think there was almost no difference within the Committee.

Dr. White: You have heard the report of the Special Committee on that provision. Is there any discussion?

(After a pause) If not, the Chair will put the question. All those in favor of accepting the report of the Special Committee on item 4, page 2, please say "Aye."

VOTE: Aye.

DR. WHITE: Those opposed?

(None)

DR. WHITE: We now turn to No. 5 in the report, the furnishing of information. It is No. 5 under Article VIII.

MR. BERNSTEIN: Mr. Chairman, on this point, on this section, the Special Committee considered two points:

The first was a rearrangement of the language on page 14C. No change in words except the dropping of "however" was involved. The shifting of some words was involved. If those who have page 14C of the "bible", Document 182, on furnishing information. It is proposed in the first paragraph reading, "The Fund may require members to furnish it with such information as it deems necessary for its operations," to delete thereafter the sentence down to the "minimum amount of information necessary for the effective discharge of the Fund's duties includes the following." In those two sentences strike out the word "however" on the third line. Then take those two sentences and add them as a new paragraph after No. 12 on page 14B. There is then no change whatever except a rearrangement of form in which two sentences are removed from the preamble, so to speak, and put in as a summary.

On the question which I place as the second point

considered in this connection by the Committee -- Shall I proceed?

DR. WHITE: Please.

MR. BERNSTEIN: In addition to that, the Special Committee had before it Document 345, reading as follows:

DR. WHITE: Document 345, page 14B.

MR. BERNSTEIN: The language is simple and brief, and I will read it for the convenience of those members who don't have the document:

"The Fund may arrange to obtain further information by agreement with members. It shall act as a central point for the collection and exchange of information on monetary and financial problems, thus facilitating the preparation of studies designed to assist members in developing policies which further the purposes of the Fund."

The Committee recommends to the Commission that this be added to section 5 on furnishing information.

DR. WHITE: Any discussion on that provision?

The Chair will call for a vote of those in favor of accepting the recommendation of the Committee on item 5, the furnishing of information. Please say "Aye."

VOTE: Aye.

DR. WHITE: Those opposed "Nay."

(None)

It is approved by the Commission.

MR. BERNSTEIN: Mr. Chairman, for the final clarification of page 14, I call attention to the fact that section 2 entitled "Exchange Controls on Current Payments" was in fact approved by this Commission yesterday. While the Special Committee examined the point perhaps briefly in connection with multilateral clearing, there is no doubt whatever that it has been approved by the Commission.

DR. WHITE: That was before the Commission and was approved yesterday, and I gather there is no need to take it up again. It is the last half of the Document 329 that you had before you and it was before this Commission yesterday and was approved.

Now consider Article VIII as a whole. You have already approved 3 and 5. We now ask for any discussion on the remainder of the provision.

Is there anyone that wants to raise questions on the remaining provisions?

(After a pause) If not, the Chair will ask for a vote on Article VIII as a whole. Those in favor of approving Article VIII please say "Aye."

VOTE: Aye.

DR. WHITE: Those opposed?

(None)

Article VIII is approved as a whole.

We now turn to Article IX. Article IX is complete as it is. It deals with --

REPORTING DELEGATE: Mr. Chairman, I am obliged to point out that there is a mistake. A very short section was omitted from this article in the Document 321.

DR. WHITE: Document 321.

REPORTING DELEGATE: That is the Annex 2 to the Drafting Committee's report. It becomes section 5 and is headed "Immunity of Archives." The section reads:

"The archives of the Fund shall be inviolate."

There will, of course, be changes in succeeding sections.

DR. WHITE: It is to protect the archives of the Fund.

REPORTING DELEGATE: That's right, sir.

DR. WHITE: Is there any discussion on any provision under Article IX dealing with immunities?

(After a pause) If not, the Chair will put the question on the whole article. All those in favor of approving Article IX please say "Aye."

VOTE: Aye.

DR. WHITE: Those opposed?

(None)

I can see that the delegates are getting tired even of saying "Aye."

Article X is before you, "Relation with other International Organizations."

Does anyone wish to raise a question with respect to Article X?

(After a pause) Then we put the question on the whole of Article X. All those in favor of approving Article X please say "Aye."

VOTE: Aye.

DR. WHITE: All those opposed?

(NONE)

The Article X is approved.

We now come to Article XI.

REPORTING DELEGATE: Mr. Chairman, I am afraid I am obliged to point out a mistake made by the Drafting Committee. On page 19 in small paragraph (d), we have said, "In order to constitute a quorum for any meeting of the board of governors there must be present a majority representing not less than one-half of the voting power of all the governors."

The decision of Committee 3 was that a quorum for the board shall consist of not less than two-thirds of the total voting power of the governors, and that will have to be corrected in order to convey correctly the decision of Committee 3.

I might also point out that sections (f) and (g) on pages 20 and 21 of the "new testament" are thereby mistaken. These matters are already under consideration by a committee of the Commission and they should not have appeared in this document.

DR. WHITE: I take it you were referring to the financial "new testament."

The first item to be considered will be section 5 on Voting. The Committee has a report, No. 8 in the Committee's Report on Voting.

MR. BERNSTEIN: Mr. Chairman, the first and last paragraphs of Alternative A on page 26 of the basic document have already been approved by other committees. The Special Committee recommends the adoption of the second paragraph of this section involving increases in votes for countries under certain circumstances and decreases in votes for other countries under similar circumstances, that the change in the figure be from 200,000 United States dollars to 400,000 United States dollars. It was the general feeling of the Special Committee that this was a provision that might usefully be included and it is recommended to your Commission.

DR. WHITE: Any discussion? on page 5? (After a pause) If not, I shall ask you to vote on the recommendation of the Special Committee on provision 5. All those in favor of approving the recommendation of the Special Committee please say "Aye."

VOTE: Aye.

DR. WHITE: Those opposed?

(None)

It is approved.

Item 3, as I understand, is not yet complete under XI. I should, therefore, like to raise the question of the

the remainder of Article XI. Is there anyone that wants to raise any question or discuss any provision in Article XI except that executive directors, No. 3, which we will postpone for a later discussion? (After a pause) If no one wishes to discuss any provision under Article XI, Organization and Management, I should like to put the question on the whole Article with the exception of section 3, which, as I said, will be reported by back to us at the next meeting. All those in favor of ^{accepting} Article XI with the exception of section 3 please say "Aye."

VOTE: Aye.

DR. WHITE: Opposed?

(None)

Article XI is accepted.

We would like to clear up as much as possible of the Committee's reports rather than continue on to make sure that we get as much as possible. Might I ask the Committee to report the next item of "Settlement of Accounts After Withdrawal" so that we could take that and possible XV before we adjourn. I would like ~~xyou~~ you to report on item 3 of Section 14 under "Withdrawal from Membership," which is the item listed as "Settlement of Accounts After Withdrawal." That is No. 10 on the Committee's report.

MR. BERNSTEIN: Mr. Chairman, the Committee recommends the adoption of Alternative A, pages 36 and 36A, subject to minor drafting changes which are referred to the Drafting Committee.

DR. WHITE: You have heard the report of the Committee on item 3 of Article XIV, bearing in mind that the Drafting Committee report will be before you and if there is any one who feels that there has been any change in substance

he will, of course, have the privilege of raising a question on the floor. Those in favor of accepting the recommendation of the Committee on item 3 of Article XIV please say "Aye."

VOTE: Aye.

DR. WHITE: Those opposed?

(None)

It is approved.

I will now call for a vote on the entire article, Article XIV, which includes the 3 items listed.

Does anyone wish to discuss any of those provisions?

(After a pause) If not, the Chair will ask for a vote on the whole of Article XIV. All those in favor of accepting Article XIV please indicate by saying "Aye."

VOTE: Aye.

DR. WHITE: Those opposed?

(None)

Article XIV is accepted by the Commission.

The next item is XV, "Liquidation of the Fund." That is No. 9 in the Committee's report. I ask the Committee's report on that item.

MR. BERNSTEIN: Mr. Chairman, the Committee discussed the question of liquidation and agreed in substance on that provision. We have, fortunately, had enough time since the meeting of the Committee to draft the provision and since it will be available within an hour or so we might perhaps more profitably turn to some other provision. It is to some extent technical and some people would unquestionably prefer to see the manner in which the principles have been applied on which they have agreed.

DR. WHITE: The Reporter suggests that this particular provision can be more ~~xxx~~ intelligently acted on if you

have a copy of the draft before you. We shall, therefore, postpone consideration of Article XV.

On Article XIII, does the Reporter from the Commission feel that that, too, should be given an opportunity for study by the the Commission in view of the importance and complexity of the subject?

MR. BERNSTEIN: Mr. Chairman, this provision has been in the hands of the Commission for some 32 hours. I believe it was available yesterday morning. If I am mistaken, the Secretary will indicate that.

DR. WHITE: If that is correct, then would you proceed with your recommendation on that article? We now discussing Article XIII, "The Transitional Period," which it item --

MR. BERNSTEIN: Item 7, Mr. Chairman.

DR. WHITE: Item 7 of the report of the Special Committee, entitled "Transitional Arrangements.

MR. BERNSTEIN: The report of the Committee, as stated, recommends the adoption of Alternative A, pages 44A and 44B, with the addition of the following at the end of section --

"Nothing in this agreement shall be.....
..... interests of members."

The representative of the Netherlands raised an inquiry at the meeting of the first sentence of the transitional provision, which I believe was answered to his satisfaction. The Special Committee was in complete agreement on the desirability of every aspect of the transition provisions, and it recommends that with the very minor changes that may be needed it be sent to the Drafting Committee.

DR. WHITE: The Delegate from the United Kingdom.

UNITED KINGDOM: Mr. Chairman, I think the only very slight error in the report is the words following at the end of section 2. I think the sense was that it was left to the Drafting Committee to decide where that reservation should be placed and that it might have a rather wider application than it would have if it was put immediately following that section.

DR. WHITE: In other words, that the particular order would be determined by the Drafting Committee.

Does the Reporter accept the interpretation?

MR. BERNSTEIN: Mr. Chairman, I had thought it would be clear from the reading of this that this is a provision that belongs with "Exchange Controls and Restrictions" in general, and that it would be moved there by the Drafting Committee.

DR. WHITE: Does the Drafting Committee agree^{to}/that or is there any question as to the appropriate order?

REPORTING DELEGATE: I think this is left in quite a satisfactory manner. As I understand it, Mr. Bernstein, has said that the place in which this article will be placed is left to the discretion of the Drafting Committee and he suggests that it may come in the section dealing with obligations of member countries.

DR. WHITE: The next item we would like to take up, which is the report of the Committee, is item 4 of the final provision, XIX. Will the Committee please report on 4, XIX, the title of which is "Initial Determination of Par Values, and which is listed as No. 11 in the special report of the Committee, page 4.

MR. BERNSTEIN: Mr. Chairman, the Committee discussed this point at length but it would prefer to have the point raised again at the next meeting of the Commission.

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DR. WHITE: Unless there is objection, that point will be deferred until the next meeting.

With regard to the definitions, do I understand that the Committee is prepared to report on that?

MR. BERNSTEIN: Mr. Chairman, the Special Committee, having considered the importance of definitions, agreed to turn the various documents it had before it into the capable hands of Professor Robertson, who will attach to himself such other people as he will require in the preparation of the definitions for this document.

DR. WHITE: May we move up, then, to a consideration of Article XVII called "Interpretations."

Before you report on it, the Secretariat calls my attention to an oversight. He informs me we did not call for an expression of approval or disapproval on Article XIII entitled "Transitional Period" which had been discussed here a few minutes ago. I am now going to ask for the opinion of this Commission on Article XIII of the Transitional Period, which had been reported on but on which I overlooked getting the opinion of this Commission. All those in favor of accepting Article XIII in total please signify by saying "Aye."

VOTE: Aye.

DR. WHITE: Opposed?

(None)

Article XIII is approved by the Commission.

Is the reporter of the Special Committee -- No, that was not a subject for report.

We are now asking for discussion on Article XVII, Interpretation, and since the time is getting close to dinnertime ~~and~~ I think that that will be the last article that we will ask for an opinion on at this meeting.

Is there anyone who wishes to discuss that article?

(After a pause) All those in favor of Article XVII called "Interpretation" please signify by saying "Aye."

VOTE: Aye.

DR. WHITE: Those opposed?

(None)

Article XVII is approved.

Before adjourning, just one or two notes. The Chairman of the Drafting Committee would like to have the members of the Drafting Committee of this body to meet with him in this room at adjournment.

The next meeting of the Commission will be this afternoon. It will be on the bulletin board and we will allow you a little more time than we originally planned.

(Whereupon, at 12:45p.m., the meeting of Commission I was adjourned.)