

6<sup>th</sup> Meeting

COMMISSION I

July 15, 1944, 12:45 p.m.

Auditorium

CHAIRMAN: The meeting of the Commission will please come to order. The Quota Committee will join us when they are through. The first order of business consists of further reports from the Special Committee some of which were held over from yesterday's meeting. Will the reporter from that Special Committee please report the first item on that agenda?

UNITED KINGDOM: Am I in order in asking leave to raise a point on the minutes of the meeting of July 13. I would like to ask for a small correction to be made in those minutes though it is of very small importance, in order to avoid misunderstanding.

CHAIRMAN: A point of order has been raised to mention a correction to get the approval of the Commission which I understand is a very small matter but a correction in the minutes of the last meeting. Is there an objection?

UNITED KINGDOM: The record deals with the answer which was given by myself to the question by the Delegate from India as to whether sterling would be freely convertible after the transition period was over. Exactly what the meaning of that phrase was. My answer, as recorded, is that it was indicated that the provision was applicable to such transactions and that sterling acquired as a result of current transactions would be freely convertible after the transition period. I wish to ask that that record may be altered to read "and that currently acquired sterling will be freely convertible". Currently acquired sterling is that which is coming into the hands of the exporter day by day as a result of transactions which are ... Sterling acquired as a result



of current transactions might mean sterling that has piled up as a result of transactions which have consisted in the export of goods, et cetera. The distinction is one of substance which I hope and believe has been made sufficiently plain on a number of occasions. The record as altered--the provision was applicable to such transactions and that currently acquired sterling will be freely convertible after the transition period.

CHAIRMAN: The Chair remembers distinctly the discussion that took place in the committee on that point and is of the opinion that the Delegate from the United Kingdom is correct in his request that the correction may be made.

Robertson ?

INDIA: May I ask Professor Robbins--? a question. If exporters from India acquire sterling but do not use it immediately do I understand that at any time whatever involves the exclusion of <sup>time</sup> ~~term~~ from the definition of currently acquired assets. (Interruption) No it is not a time lag of one second or two seconds. We must leave questions of that sort to the common sense of people who are going to run this Fund.

CHAIRMAN: Many of the delegates have not had the advantage of being professors of economics and so possibly the interpretation may be necessary from the Chair. The last speaker spoke of it more being a question of seconds we will all recognize that however. The Delegate from India is asking a question that is a reasonable one and the answer, from prior discussion, in the minds of the British delegation is also a reasonable one. The suggestion of the reasonableness of the answer includes months and even possibly a year or two depending on the judgment of the Fund. Am I correct? Mr. R., it should be clear



clear that the balances that are held in the country might not be a matter of seconds as you pointed out but might be a matter of months or years.

UNITED KINGDOM: When you say several months I do not feel any difficulty, but when the year is mentioned, I think we should.

CHAIRMAN: In otherwords as you go towards years and away from months the problem becomes more difficult to answer ahead of time. Does that answer meet with the approval of the Delegate from India.

INDIA: I don't think the position is quite so clear as is sought to be made out by the Delegate from the United Kingdom. From the answer he gave me the other day, I took it that after the transitional period had ended all sterling that we had as a result of current transactions, irrespective of time, would be free ...

Section 5 on which I raised the question only referred to the transitional period and I think it is a matter of new substance which is being sought to be used by the Delegate of the United Kingdom and he is trying to put a time limitation on it.

UNITED KINGDOM: I am very sorry to take up the time of the Commission on this but here is the point. The <sup>provision</sup> Governing ~~xxxxxxx~~ as I read it in the case of a country such as India <sup>whose</sup> ~~whom~~ balances the accarual <sup>of</sup> or whose export proceeds piles up in the form of central bank balances-- is the first sentence of Section 9 - 4 as it used to be which is on Document 329. That obliges for the transitional period and over, that obliges a member <sup>to deal with</sup> (to believe?) a ~~or believe as the UK can~~ sterling balance. <sup>option</sup> In this case, would be UK ~~opposition~~ in gold. If the Indian authorities represent either that the balances in question have been currently acquired, that is, acquired



in the space of let us say, the last month or two or that their conversion is needed for making immediate current payment, those two conditions are alternative. If the balance is one of quite recent acquisition it can be withdrawn without explanation. If, on the other hand, it has piled up for some period, say several years, to make the point plain, then there would be no obligation to retain it unless evidence is given that its withdrawal is required for the purpose of buying goods or indulging in other current transactions, there would, for instance, be no obligation to relieve it if it is plainly going to be used in order to transfer this holding from London to some other center.

UNITED STATES: It seems to me that the explanation of the Delegate from the United Kingdom even broadened the privileges that were explained at the last hour. A person or a central bank holding sterling balances ~~xxxx~~ may not only convert them if they are currently acquired but even when the question of "currently acquired" has been passed over they are still convertible in accordance with the provisions of IX - 4 if they are to be used in connection with current transactions. As far as I can see, the only points <sup>excluded?</sup> included? under this provision are the transfer balances where they are to be used and if idle funds in your acquisition of securities or similar transactions, where they ought to be put into use in accordance with the provisions of the fund in current transactions, no question whatever arises.

CHAIRMAN: Unless there is objection the Chair will declare the correction in the minutes suggested by the UK shall be made. Now I will call on the reporter of the special Committee to report on the first item of

his



his agenda.

REPORTER: Mr. Chairman, the report of yesterday left two items still unsettled: The Liquidation Provision and the Initial Determination of Par Values.

CHAIRMAN: Which is the first one you are going to discuss?

REPORTER: Document 376.

CHAIRMAN: Document 376 is a liquidation provision and it is to be first discussed and pages 37 d and e in the Joint Document.

REPORTER: Mr. Chairman, this question was given ~~xx~~ extended discussion by the Special Committee. I am glad to report that there was unanimous agreement that the liquidation principles presented in this document are completely fair, that they give every measure of protection to every country on the liquidation of the Fund if called upon, if that should ever be necessary. I summarize the principles of this liquidation. (Summarizes and reads Alternative D)

CHAIRMAN: You have heard the gist of the report of the Special Committee.

REPORTER: Beyond that there are certain obligations in connection with the distribution of assets which I think it would help to summarize. (Here summarizes and enlarges point<sup>4</sup>(e)/of page 37e) and (f) Mr. Chairman, that is as brief a summary as I can give of these principles to all members of the Commission.

CHAIRMAN: You have heard the report of the Special Committee on Liquidation. Does any Delegate wish to comment on that report.

MEXICO:



MEXICO: Mr. Chairman, I move that it be accepted.

CHAIRMAN: It has been moved that the report of the Special Committee on Liquidation be accepted.

BELGIUM: Seconded.

CHAIRMAN: The Delegate from Belgium seconds the motion. Is there any delegate who wishes to discuss the recommendations. Then the Chair will call for a vote. All those in favor of accepting the report of the Special Committee on Liquidation say "Aye".

(Chorus of AYES)

CHAIRMAN: Contrary minded? (No response) The Commission accepts the report of the Special Committee. The Chair now turns to the second quarter of business.

REPORTER: Mr. Chairman, there is another point which remained from yesterday's commission meeting <sup>it</sup> was the Initial Determination of Par Value. I regret that there is no final document that has yet been distributed. Several documents have previously been in the hands of the delegation <sup>es</sup> and I believe that the recommendations of the Special Committee are ~~thoroughly~~ entirely familiar to every interested delegate. If I may proceed therefor with an oral presentation of the recommendations. We shall have a document covering these recommendations sometime this afternoon. The document is ready but has not been mimeographed. <sup>9</sup> The special committee considered at great length this important question of the Determination of Initial Par Values. In addition every delegate who was known to have any interest in this question was seen alone or in groups to assure him and others that the Special Committee's recommendations were in thorough accord with the <sup>the</sup> needs in the communication of initial par value. I know of no dissenting voice in the course of all these consultations on the recommendations of the Special Committee.

There *these*



These recommendations are different.  
There shall be communicated to the Fund an initial par value based on the de facto exchange rates. This initial par value shall be the par value for the purposes of the Fund unless within some reasonable period of 90 days a member indicates to the Fund that it would find another par value satisfactory and this one unsatisfactory. In cases where countries have been occupied by the enemy they may communicate an initial par value which par value would be open to a statement of its satisfactory nature <sup>by</sup> ~~xxx~~ the country involved ~~xxx~~ for a longer period than the 90 days proposed for other countries. Any par value communicated to the Fund which is satisfactory in the sense that the Fund does not express any view as to its unsatisfactoriness would remain <sup>at</sup> par value and would be subject to change in accordance with the procedures that are elsewhere provided. In the case of an occupied country it will have a longer period to communicate an expression of its views on whether that par value is satisfactory. It may postpone communication of that par value. It may await certain developments without which it cannot communicate par value without having to take into account these considerations. It will communicate that par value and it will then be the par value for the time being, the Fund continuing operations in agreement with the countries under terms and conditions ~~to~~ be agreed and in <sup>Amendments</sup> ~~amendments~~ to be agreed. The understanding would be that it would be limited. At some stage a country would agree with the Fund that limited operations are removed and thereafter any change in exchange rates would be subject to the usual procedure. While all of this may sound complicated, it is, in fact, a fairly simple procedure. ~~xxxx~~ It parallels the usual procedure except that in the case of an occupied country a little more time was given to communicate par value <sup>and</sup> operations ~~or~~



~~and~~ or on a limited scale ~~and when they are removed~~  
any change in exchange rates becomes subject to the usual  
procedures. <sup>9</sup> There are sufficient over-all safeguards  
in connection with these par values. First, the Fund  
need not undertake exchange transactions if it feels that the  
par value has been communicated to it. ~~It~~ may involve damage  
to the Fund or ~~of~~ other members.

Second, no transactions are to be undertaken in exchange  
at all until satisfactory par values have been communicated  
for the currencies of countries with 60 percent of the  
aggregate quota. No transactions in exchange would be  
undertaken until the European phase of the war is over.  
No transaction would be undertaken in the currency of any  
member until some satisfactory arrangement with respect to  
that currency has been made <sup>with</sup> ~~the~~ the Fund, if that is governed  
by the provisions I mentioned before. Finally, it is under-  
stood that no member will undertake transactions with the  
Fund unless it could undertake those transactions without  
damaging the Fund's position, its own position in the Fund,  
And I ~~presume~~ <sup>and</sup> the position of the members in general.

CHAIRMAN: You have heard the report of the Special  
Committee on the Initial Determination of Par Values.  
The question is before you for discussion. Does any  
delegate wish to comment on the report.

CHINA: I would like to ask whether the reporter of  
the Special Committee bases his report on a document  
typewritten but not mimeographed, in the style of Alterna-  
tive C.

CHAIRMAN: The delegate wishes to know if the reporting  
delegate ~~xbases~~ bases his report on a typewritten document which  
is not mimeographed.

REPORTER:



REPORTER: It is based on that document. The oral presentation covered the highlights and <sup>not</sup> ~~in~~ every possible points. Any difficulties in the actual wording would still be open ~~for~~ and covered by the Drafting Committee which would get this statement of principles <sup>to</sup> which the delegate of China has referred, <sup>a substantial</sup> to.

SOUTH AFRICA: Mr. Bernstein said that there was ~~xxxxxxxxxxxx~~ agreement on this and that singly or in group the dissenting delegates had been consulted by the Committee. Probably it is just a point that the remarks I made in the committee here were overlooked, and I express great doubts about this method of dealing with the matter in committee. Certainly no discussions would be ~~xxxxxxxx~~ afterward. I don't place that point because of any importance of the views I may forward, or to hold up the progress and if this <sup>is</sup> the point view of the committee, I am quite prepared to risk it. My own view of the matter is that this thing will ~~be~~ break down. This is based on the assumption within a reasonable period ~~if the~~ <sup>were</sup> the countries <sup>were</sup> to be put in a position to determine what the ~~xxxxxxxx~~ consequences are or <sup>what</sup> the par value that can be maintained is, but I don't think within a short period it seems to be visualized here that the more important countries or less important countries will be able to do it because they don't have the information. It is the order of the parities. I do not want to go over the reasons which I gave in the Committee <sup>to</sup> to show that those parities will reflect realities. I only made the point it seemed to me the provisional period, the period of provisional parities, would be carried on for a period of considerable time and an attempt should be made at final parities. The effect of the basic thing to my mind is this. In order to be able to deal with the Fund it will have to fix the

parity



parity and the chances on this are very great. If it does that then the only further way of getting things straight is to use ~~up~~ the safety-valve provision, that is, the ten percent, and then to have arguments with the Fund. It would be <sup>an</sup> exceedingly unfortunate thing that in the early stages the Fund would have to start having arguments with a large number of countries. Because immediately they would create the impression that there is haggling and bargaining about parities in order to get some little parities from competitive legislation. I think that that could be avoided by having all parities in a period of two years possibly a little longer and then having the general over-haul of the period <sup>for</sup> ~~after~~ the new economic structure starting after the war that opportunity of settling down on its obligation.

UNITED STATES: Mr. Chairman, I want to make it clear that what the delegate from the Union of South Africa was referring ~~what~~ to was not ~~not~~ the Special Committee. When this question first arose in Committee 2, Mr. Hollaway expressed his views. A small group was appointed by the Chair in Committee 2 to consider the views expressed. When this question came to the Special Committee, it was considered at very great length, and there was ~~a~~ unanimity in that ~~in~~ committee on this special point. Every delegate who had expressed the need for some special consideration for his country in the determination of par values was consulted. I gathered that the delegate from South Africa did not feel that his country was in a position of needing special consideration on that problem for <sup>his</sup> ~~that~~ country, ~~but now~~ It seems to me that if we start with the concept of provisional exchange rates, we are in fact saying that there is a shadow of doubt on the whole possibility of maintaining a structure of exchange rates that will have order and stability. There are at this conference more than 30 countries whose exchange rates are <sup>in</sup> ~~not~~ better than good shape  
whose



whose resources are more than adequate to maintain the stability of those exchange rates, whose entire economic system has been adjusted to those exchange rates. To call those 30 odd exchange rates provisional is to raise a problem and not to solve it.

What are in fact <sup>set</sup> ~~ertain~~ exchange rates <sup>would be</sup> ~~are~~ now called under the Fund provision if we adopt the suggestion of the delegate from South Africa, possibly unsatisfactory exchange rates. We must recognize that there are these 30 odd exchange rates on which the world has been doing a considerable volume of business without any difficulty to those countries, without any difficulty to the world. We must recognize that the resources of those countries are adequate for maintaining those exchange rates. We must then provide for <sup>the few</sup> ~~new~~ rates on which there may be some questions, that is ~~precisely~~ precisely what this recommendation has done. It <sup>proceeds</sup> ~~bases~~ from the question of general exchange rates to those of ~~either~~ the few countries to whom there is a ....

CHAIRMAN: Any other delegate wish to make a comment?

UNITED KINGDOM: There is one point I wish to mention. It is not at all the point raised by Dr. Hollaway or which Mr. Bernstein took up. ~~xxxxxxxxxxxxxxxx~~

CHAIRMAN: Is it on the point which is before us for discussion?

UNITED KINGDOM: It does relate to this provisional fixing of par values. I will first refer to the place on the paper where those who have got it will find the point which I am raising which comes ~~xxxxxxxxxxxxxxxx~~ <sup>H</sup> ~~xxxxxxxxxxxxxxxx~~ at the end of the paper. The paragraph reads (Here reads first sentence of paragraph (f), Document #347, page 50e.) We wish to add "or ~~xxxx~~ before the first of August 1945, whichever is the later". The point being that in any event we did not wish the Fund to begin before the first



first of August 1945. That is a question of substance. I want to raise it here.

CHAIRMAN: The delegate from the U.K. recognizes this is put the year 1944, and wishes to ~~bring~~ the date "August 1, 1945, whichever is the later."



UNITED STATES: Mr. Chairman, I think that it should be reported that that specific proposal was presented to the Special Committee. I do not believe that there was ever a recorded *opinion* on the matter. There were, however, divergencies in point of view. The other view that was suggested by the U. K. Delegate is that it may be unfortunate to say that in no event may operations commence until the first of August, 1945. From a purely psychological point of view as suggesting that the war will be prolonged to such a period of time that that will be a reasonable date.

CHAIRMAN: Are there any further comments. If not, the Chair will put the question to vote. Those in favor of fixing initial par values, please say "aye". (CHORUS OF AYES) Contrary minded? The Chair declares that the Commission has accepted the report of the Special Committee on the fixing of the par values - that Article XIX has been considered and passed by this Commission. I, therefore, begin with Article XIX. Article XIX, entitled "Final Provisions" --- contained on page 27. Of the so-called "New Testament." Does anyone care to discuss any of the sections listed under Article XIX -- Section 1, 2 and 3, Section 4 having already been accepted by this Commission.

AUSTRALIA: Mr. Chairman, in Section 2, it is provided that this agreement has come into force---

CHAIRMAN: Would you mind stating specifically what you are discussing?

AUSTRALIA: Yes, I am discussing Section 2 signed by 65 percent of the aggregate quotas. We haven't got the quotas yet, but I should think that it would be the agreement of very few countries, very few major countries and we feel that the agreement should not come into force



unless it also has the agreement of some of the smaller countries, and there is, therefore a case, I think, depending, of course, upon the actual quotas, when they are available ~~so/that~~ for raising that to perhaps 70 per cent so that there will have to be agreement by some of the smaller countries as well as by the four or five major countries.

CHAIRMAN: Does the Delegate propose that as an amendment?

AUSTRALIA: I propose that as an amendment.

CHAIRMAN: The Delegate from Australia proposes as amendment that there be required in addition to the 65 percent of the aggregate of the quotas an additional number of countries. Could you specify how many?

AUSTRALIA: I suggest 70 percent instead of 65 percent.

CHAIRMAN: The amendment was to require 70 percent instead of 65 percent.

NORWAY: In the Committee for Liberated Areas the question of the funds ~~for/additional~~ was discussed but we did not get an opportunity of having a final meeting. <sup>an absolute</sup> There was, however, ~~in/connection/with/the~~ agreement that the countries which are original members of the Fund must have the opportunity of remaining as such even if it should happen that for formal reasons requirements are not being able to be rectified before an inaugural meeting is held. I think everyone is in agreement with that principle. I have not been just able this morning to see whether it has been covered by any of these provisions, but I raise the question, and I think that it is not covered, it should be referred to the Drafting Committee.

REPORTING DELEGATE: The point raised by Dr. Kilhau <sup>been</sup> has, I think, /covered in the report of the Drafting Committee



itself. If he will look at page 2 of that report, Section G has been added, stating: ~~It is the case of~~ "In the case of, etc." reads.

CHAIRMAN: There is a motion before the Commission which has not been seconded. Does anyone wish to second that motion made by the Delegate from Australia. If not, the motion is lost. Any other discussion?

UNITED STATES: I would suggest that the Special Committee be empowered to insert appropriate dates into Section 1 (a) and (b) where they are presently blank.

CHAIRMAN: The request is made that the Special Committee be empowered to insert the appropriate dates in Section 1 (a) and (b) where they are now blank. Unless there is some objection, the Chair will accord that authority to the Drafting Committee. Does any Delegate wish to discuss any one of the other provisions -- 1, 2 or 3? If not, then the Chair will put the question on the whole of Article 19, having accepted Section 4. All those in favor of accepting the entire Article XIX, <sup>with final provisions</sup> please say "aye." (CHORUS OF AYES) Contrary minded? The Chair declares that the Commission has accepted the entire Article XIX.

REPORTING DELEGATE: May I request that Mr. Luxford's motion be extended to the blank dates in Section F and G of this Article as well.

CHAIRMAN: A request has been made to extend the authority to extend the appropriate dates in Sections F and G in the Drafting Committee's report. Unless there is objection, the Chair so orders. The next item on the agenda is the report by the Special Committee. What is your next item? What is the title?

UNITED STATES: Our next points are the new ones we took up today. No written report has been prepared



because our meeting adjourned to come here. We have six or seven items we would like to put before this Commission. The amendment on Purposes, the question of Time and Payment of Subscriptions to Liberated Countries, some minor changes in wording in Par Values, some provisions for newly mined gold in connection with the repurchase provision, depository of the Fund, the emergency measures, definition, but then we would like to recommend finally to the Commission what has on one point been raised -- the problem of delegating to the Special Committee authority to consider any questions that remain unsettled after the Commission adjourns.

CHAIRMAN: Will you please proceed with item 1.

UNITED STATES: I am afraid that the work of the Special Committee this morning was not quite so successful as that of the night before last. On paragraph (b) of Article I, after considerable debate, there was a disposition to allow the wording of this paragraph.

CHAIRMAN: I am not certain that the Delegates are understanding the subject matter which you are speaking of at the moment.

UNITED STATES: Article I, Annex 2 of the report of the Drafting Committee ----

CHAIRMAN: So-called New Testament.

UNITED STATES: New Testament. Article I - Paragraph (b), second paragraph. ~~Let~~ Shall I read it?

CHAIRMAN: Can you get that? We will proceed here -- is it necessary to discuss it first?

UNITED STATES: I will submit a report of the Special Committee. If that is satisfactory we can proceed with the next point.

CHAIRMAN: All right. I take it it's a brief matter.



UNITED STATES: The Committee recommended that on the fourth line of that paragraph, after the word "employment" add "and real income". The Committee being in a mood to add words recommended to add some more words on the sixth line after the word "members" "whatever the stages of their economic development." ~~/s~~ It was impossible to get any words stricken out. Nobody was in a striking mood. And that is the recommendation.

CHAIRMAN: Do I understand that the recommendations of the Special Committee do not include the striking out of "and to the development of the sources of productive power."

UNITED STATES: I'm afraid the Special Committee would not recommend that. It remains in.

CHAIRMAN: You have heard the report of the Special Committee on item (b), Article I, Purposes. Anyone wish to comment on the report?

UNITED STATES: I should like to suggest that we do what the Special Committee failed to do and strike out all of the words that were proposed to be added and leave the text as it now appears in (b).

CHAIRMAN: And the text as it now appears in (b) includes "and to the development of the sources of productive power." So were you suggesting to strike that out ---

UNITED STATES: My motion shall also include striking out all of those words.

CHAIRMAN: Therefore, the proposal is to amend the recommendations of the Special Committee so that the Purposes will read as follows: "To facilitate (reads balance of (b) )." Is that your motion?

UNITED STATES: That is right.

CHAIRMAN: The motion is before you. Does anyone second it?



BRAZIL: I second the motion.

CHAIRMAN: May I say that this subject of Purposes which has been discussed at very great length at Commission and Committee meetings, and the aspects are clear to all members, unless there is an objection the Chair will limit the speaking on this amendment to what he regards as a reasonable time.

INDIA: I am not going to say anything on the merits or the demerits of what has been proposed by the U.S. Delegates. At this morning's meeting of the Special Committee, I came under the impression that the compromise which was agreed to by the Committee, according to which the words added after "all members" were the words "whatever the stages of their economic development," which in my (inaudible) opinion made our ..... I have only meant to state that if the amendment proposed by the U.S. is accepted, it makes our position much worse.

CHAIRMAN:

~~UNITED STATES~~: Does the Delegate of the U.S. making that amendment wish to add that phrase "whatever the stage of economic development."

UNITED STATES: No, sir.

UNITED KINGDOM: I should like very much to ~~feel~~ appeal to ~~xxx~~ the United States Delegation not to press their objection. I would like to say, Mr. Chairman, that I have very considerable sympathy with the statement which denies that application. I feel, Mr. Chairman, that we are discussing in all the debates which have taken place on this particular paragraph, shop-window questions rather than questions of substance. And it is clear that the Delegation of the U. S. and other members of the Conference feel that the shop-window is being dressed in such a way as to give a false impression of what the Fund is actually intended to do. Mr. Chairman, I agree entirely with the view that if

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the impression is conveyed that the purpose of this Fund is to do things which are proper to the Bank, that would be very unfortunate. I believe further, and I would say that if any member of the Fund were to entertain the intention to use the resources of this Fund in such a way, that would be a very grave thing. But, Mr. Chairman, I want to suggest to our friends that that position is sufficiently safe-guarded by the word "thereby." We say in the first part of this paragraph what the Fund is intended directly to do, and then we say in order to ~~the~~ meet the rather difficult position of some of our friends, who say that they will find difficulty in making the Fund acceptable in their own country, we say "thereby." It will achieve all sorts of other things which are desirable. (inaudible) ~~on that understanding that~~ ..... <sup>retained</sup> the word "thereby" is ~~written~~, I venture to suggest that not much harm is done by what follows and if it helps any of our friends, its retention should be allowed.

CHAIRMAN: Does the Chair understand that there is a comma at the end of "employment." The draft I have here is not clear on that point, and it makes a change in substance. Does the Delegate from the U.K. understand --

UNITED KINGDOM: I am not quite sure.

CHAIRMAN: The position of the comma would seem to alter the substance.

REPORTING DELEGATE: There is no comma after "employment."<sub>2</sub>

UNITED STATES: Mr. Chairman, I wonder whether another stretch of wrestling with this in the Special Committee would not give us something that would be satisfactory, and if those who are present ~~for words like "whatever their stages of economic development"~~ would consent, we might send it back to the Special Committee where they can

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again consider the same point and free this Commission to proceed with the important problem that it still has before it.

UNITED KINGDOM: I sympathize with the ~~drafting~~ Drafting Committee, all those members of the Commission who feel some impatience at the suggestion that this matter should be considered once more, but I join <sup>with Dr. Bernstein</sup> in suggesting that we should not sink the ship for hate of the tower. We should send it back and see if reason and persuasion can achieve some satisfaction.

CHAIRMAN: Would the Delegate of the U.S. that made the amendment before us withdraw the amendment?

UNITED STATES: I withdraw my amendment.

CHAIRMAN: Will the Delegate from Brazil withdraw his second to the amendment?

BRAZIL: I withdraw.

CHAIRMAN: Unless there is an objection, the Chair recommends this provision (b), Article I to the Special Committee for reports at our next meeting which will follow the adjournment of this meeting when I announce such adjournment. The next item on the agenda will be taken up.



Dr. White: The next item on the agenda will be taken up.

Mr. Bernstein: The time of payment of subscriptions for liberated countries was raised in the Special Committee and there will be some slight problem of wording. It is quite possible that the provisions already made for making payment in currency and in gold will not be quite adequate for all of the purposes of the liberated countries. The discussion in the Special Committee indicated it probably would be. Since it is only a matter of wording I recommend on behalf of the Committee that this question be referred to the Drafting Committee to reexamine the wording. It has to make sure that every liberated country *can* comply with the present wording.

Dr. White: The recommendation has been made that the matter be referred to the Drafting Committee. Unless there are objections the Chair will so declare it. The next item to be reported on, newly mined gold. The Delegate from the United States.

Mr. Bernstein: The case was put to the Special Committee this morning that in the case of some members that produce gold, the devastation during the war and urgent need for reconstruction after the war, has caused serious interference with the maintenance of gold production and with the holding of adequate gold reserve. On that account the Committee considered this proposal as an addition to the repurchase provision. In the case of members whose metropolitan territories have been occupied by the enemy or severely damaged by enemy action, the obligation of this section shall not apply for five years after this agreement goes into force to gold newly ~~mined~~ produced from mines located within the territories of such members. It was the view of the Committee that this should be recommended to the Commission. A substantial proportion of the members of the Committee reserved their position on that point and opposed the recommendation. Speaking for the majority



of that Committee, I may say that we feel it is completely fair that the provision is necessary to permit a country whose gold production was suspended in order to defend its territory from the enemy to give it an opportunity to resume the production of gold and to build back its normal gold reserve with the <sup>new</sup> production of its mines. That is the position of the majority.

Dr. White: The delegates have heard the report of the Special Committee and the recommendation of the majority of that Committee. The Chair recognizes the Delegate from the Soviet Union.

Delegate from Soviet Union: I want to commend this proposal. It is a proposal instead of two other additions, which refer to Article 2, section 3 of the Joint Statement. We completely consent to the general principle expressed in the provisions of the Joint Statement after B and C, but there are exceptional cases where the general principle should be temporarily abandoned. I have in mind the special conditions in some countries who suffered during this war particularly great damage from enemy occupation and hostilities. When the hostilities are over, these countries shall be confronted with the difficult problems of rehabilitation - (speech read).

Dr. White: You have heard the Delegate from the Soviet Union expound the reasons for supporting the recommendation of the majority of the Special Committee. The Delegate from Mexico.

Delegate from Mexico: The Mexican Delegation feels great sympathy for the amendment as ~~km~~ proposed by the Special Committee. We believe that the period of five years for the recuperation of invaded and ~~devastated~~ devastated countries is reasonable. Therefore, Mr. Chairman, the Mexican Delegation supports the exception regarding newly mined gold.

Dr. White: Was that a motion?

Delegate from Mexico: A support, sir.



Delegate from Czechoslovakia: Mr. Chairman, the Czechoslovakian Delegation supports the amendment suggested by the report of the Special Committee and accepted ~~ed~~ by the majority of votes of this Commission. The strain put on balance of payments of some devastated countries will be tremendous. When these countries undertake, and they are bound to do it, a timely and effective work of reconstruction, keeping in mind the fact that in particular cases such countries have rather limited export capacity, and the gold newly mined there may be one of the crucial items of the overburdened balance of foreign payment. We believe there is a good case for granting an exceptional treatment or temporary basis of five years. It is hoped that these countries will use the period of reconstruction for establishing the type of economic ties with the world and contribute in this fashion to world prosperity. Therefore, I ~~move~~ make the motion that the amendment of the reporter be ~~accepted~~ adopted.

Dr. White: The Delegate from Czechoslovakia moves that the report of the majority of the Special Committee be adopted. Does anyone second that? The Delegate from France.

Delegate from France: (Spoke in French)

Interpreter: The French representative states that the French Delegation supported all proposals made in favor of occupied and devastated countries. He states further that he had hoped that fuller measures would have been taken in favor of the occupied and devastated countries. The amendment received the full approval of the French Delegation.

Dr. White: The Delegate from the United Kingdom.

Delegate from United Kingdom: We support the amendment.



Dr. White: The Delegate from the United Kingdom supports the amendment; the Delegate from New Zealand supports the amendment; the Delegate from Belgium supports the amendment; the Delegate from Yugoslavia supports the amendment. The Chair will call for a vote. All those in favor of the amendment please signify by saying "aye".

(Ayes heard)

Dr. White: Counterminded? The amendment is accepted. The next item on the agenda is the depositories of the Fund.

Mr. Bernstein: We have a typewritten text of the proposal. May we move to another item for a minute or two as the text is being brought in, which covers the agreement of the Committee. The Committee considered a suggestion that provision be made for emergency measures that the Fund might find it necessary to take. In certain cases the Fund already had made provision for emergency measures, but in a Fund so technical in its construction, so carefully drafted to assure passivity, there may be problems which we have overlooked which may arise and the Committee considered the possibility of giving the Fund authority to take emergency measures on some aspects of its operations, ~~including such important questions as quotas, voting, etc.~~ <sup>in</sup> The Committee is not in a position to report/any general sense on this important problem. It would like an opportunity to consider this question again this afternoon or evening.

Dr. White: Is the text of the other before you now?

Mr. Bernstein: The Special Committee considered briefly a suggestion for rewording a part of Article 4 along these lines.

Dr. White: What section?

Mr. Bernstein: Section 5(a).

Dr. White: Page 5 of the so-called New Testament draft.



Mr. Bernstein: Page 6 of the so-called New Testament draft.

Dr. White: Page 6.

Mr. Bernstein: A member of a fund may change --

Dr. White: Apparently there is some difference in point of view as to what page you are referring to.

Mr. Bernstein: Page 6, section 6 of Part B.

Dr. White: Page 6 of the so-called New Testament,

Mr. Bernstein: That is right. Page 6, Section 6, paragraph B, to replace that with this slight change in wording. "A member of the Fund may change the par value of its currency without consent of the Fund if the change does not affect international transactions of the members of the Fund." It is recommended by the majority of the Committee that this be sent to the Drafting Committee for inclusion in the appropriate part of the text.

Dr. White: You heard the recommendation of the majority of the Special Committee. Anyone wish to discuss the amendment? Does any delegate wish to discuss that suggestion? The Delegate from the United States.

United States: Mr. Chairman, I would just suggest that the place where this provision will appear is not under consideration, but only the text of the provision and the Drafting Committee would like to have full permission to place it in the appropriate place in the document.

Dr. White: Request is being made to authorize the Drafting Committee to place this provision in its appropriate place in the document. Unless there is objection, the Chair will so order. Have you received the text of that next amendment?



Mr. Bernstein: Yes, Mr. Chairman, returning to the problem of depositories. The Committee considering<sup>ed</sup> this morning a new provision or a new wording of the provision on depositories and agreed by a close vote to recommend the following text as the view of a majority of the Special Committee. May I read it? The nearest thing to this is in the Old Testament, page 29. If you will follow the text in the old document, SA, I will read slowly.

Dr. White: Page 29 was the reference.

Mr. Bernstein: Section 6, part (b), on page 29. "The Fund may hold other assets, including gold, in depositories in the five members having largest<sup>the</sup> quotas and in such other depositories as it may select. At least one-half of the holdings of gold of the Fund shall be held in the<sup>devastated</sup> depository ~~taxi~~ in the member in which the Fund has its principal office. At least 40 ~~xxxxxx~~<sup>percent</sup> of the holdings shall be held in the four other principal depositories. All transfers of gold by the Fund shall be made with due regard to the costs of transporting and expected requirements of the Fund. In an emergency the Executive Directors may transfer all or any part of the Fund's holdings of gold to any place where it can be adequately protected."

Dr. White: The Delegate from Netherlands.

Delegate from Netherlands: I won't repeat what I said last time when we were a little less hungry than to-day, but I want to make clear that this new proposition is not acceptable to the Dutch Delegation. Mr. Chairman, I think we may say that on the whole this conference has been very happy in trying to do justice and give satisfaction to all



present, whether large or small, and in the particular cases where it was not possible to give satisfaction, I think we have tried to spread dissatisfaction equitably, but Mr. Chairman, for that particular reason, I would consider this clause <sup>a</sup> ~~xxxxxxxxxxxx~~ completely unnecessary and regrettable flaw on what is shown as the spirit of of this conference in the document that will come out. I can still not see what is the reason for this clause. I cannot see that it will not be the cause of an enormous of practicable differences, because when you sell gold it will force the Fund to do a lot of reshifting. It is not at all connected with the realities and necessities of gold in connection with the transactions and it is in no way whatever connected with the safety of gold, because as I tried to say before, nobody can foresee which place in the world will be safe, or not. Apart from that, we have two things to consider. First of all, and I am sorry that I repeat myself again, I always hoped it would be assumed that the Executive Directors of this Fund will have some sense and that in matters like this we do not need to legislate, but apart from that the countries that apparently are concerned, where the gold is, have a voice, a strong voice, in the Directorate. I would urge this meeting not to go in the direction to which this amendment points. I think it would make it difficult to make the world believe that at this conference, rights, claims and interests of countries, large and small, have been considered, and that the spirit of the conference has been one of expediency and justice.



Dr. White: The Delegate from the Netherlands has indicated his reasons for urging the Commission not to go in the direction which is inherent in the proposal. May I say I think there was some misunderstanding about the interpretation of the provision as I heard it. Could the Delegate from the United States correct that misunderstanding?

United States: I can reread it, Mr. Chairman, but the text of the statement was as read by Mr. Bernstein. That was the text as voted out by the Special Committee to-day. I would only want to say that the views which the delegate from the Netherlands has expressed in this meeting have been expressed, as he indicated, on a number of occasions in the past by a number of countries. On the other hand, there were an equal or greater number of countries that felt that it was important to include in this provision some reassurance that the gold holdings of the Fund will be adequately protected. Further than that, they do not conceive the allocation here indicated as economically irrational, since you are taking the five countries ~~which~~ ~~xxxxxxx~~ with the largest quotas which also will represent a wide geographical distribution of the depositories. It may be said from purely economic grounds, this is still a reasonable allocation of the gold of the Fund. Beyond that I would call the attention of the conference to the fact that there is an express provision that all transfers of gold ~~xxx~~ by the Fund shall be made with due regard to the cost of transfer or import and export requirements of the Fund, and I would join with the delegate from the Netherlands in assuming that the Fund would use good sense.



Dr. White: Do I understand that the present provision which is being recommended by the majority of the Special Committee in no way discourages or prohibits the economic movement of gold nor does it require any shifts of gold that are not called for by economic considerations.

Delegate from United States: As I understand it, that is correct sir.

Delegate from Canada: The Canadian Delegation would like to associate itself with the protest which the Delegate from the Netherlands has made against this. I think this limitation on the margin in the places in which they hold their gold is quite at variance with the general spirit of this document which we hope to issue from this conference.

Dr. White: The Delegate from Cuba.

Delegate from Cuba: Mr. Chairman, if this Fund was strictly a business corporation, I would agree with the gentleman from the Netherlands, but this Fund is an international organization in which the nations participating and nations, before they join this Fund and give up the sovereign rights to keep their gold where they please would be asking each one of us, "where is our gold going?" I believe that the formula submitted by the majority of the Special Committee is that the Board of Governors and ~~the~~ in turn the Executive Directors gives sufficient margin to use their best ability to locate that gold where, in their opinion, it should go, because we say that at least one-half should be in the country where the principal office of the Fund should be established and it leaves a wide margin for the Board of Governors and Executive Directors to place the ~~unachieved~~



remaining half of the gold in any nations, including at least 40 percent in those nations having the highest quotas. I believe that the small nations, although they have little gold, it seems to me, would like to know where their gold goes.

Delegate from Belgium: Gentlemen, I don't want to repeat what has been excellently said by the delegates from the Netherlands and from Canada. I want only to say that the Belgian Delegation wholly supports their point of view.

Delegate from Ethiopia: Mr. Chairman, on behalf of the Ethiopian Delegation, I wish to express our hearty support of the views expressed by the member from Cuba.

~~Thank you~~

Dr. White: The Delegate from Ethiopia supports the views of the Delegation from Cuba who supports the majority of the Special Committee.

Delegate from United Kingdom: Mr. Chairman, I wish to ~~express~~ speak of the merits of the proposal before us. I can't help but feel that it might be the case that some of us had very little time to reflect upon the exact wording of the proposal which has been put before us. That lack of opportunity may very well be our problem, but I do wish to urge the Commission to consider that the speeches which have been made by the Delegates from the Netherlands, Canada, and elsewhere are speeches which obviously rest ~~upon~~ upon very deep conviction and upon an accumulated weight of banking experience which I think we should do well to take into full consideration. I therefore suggest Mr. Chairman, that it would be well if further opportunity would be given for discussion of this particular point,



and I move that it be referred back to the Special Committee.

Dr. White: Motion has been made to refer this back to the Special Committee.

Delegate from Peru: Mr. Chairman, we feel very much like the Delegate from the United Kingdom. We feel that we have hardly had time to consider the wording and if I understand rightly, the special subcommittee was going to take this matter up, but then it never met. We feel very strongly as the Delegate from the Netherlands does and therefore we would very much like this matter to be referred back either to the ad hoc committee or some other committee where the matter may be taken up.

Dr. White: May the Chair take the floor, inasmuch as the vice chairman is not present. The Chair would wish to express complete sympathy with the views expressed by the Delegate from the Netherlands and Canada, but he fears that it rests upon a misinterpretation and a misunderstanding of the proposal. The proposal in no way requires any uneconomic movements of gold, after the Fund has been initiated. On the contrary, ~~the~~ it calls for such movements. The gold will remain, in accordance with the proposal in the <sup>five</sup> large countries, the/countries with the largest quotas, and some in other countries. From then on, gentlemen, it satisfies all the requirements that you have asked for. From then on any movement of gold which will be called for, will proceed according to economic considerations. For example, what need would there be for the movements of gold by the Fund? Clearly the most obvious one would be that possibly in time there might be a scarce currency. Then the Fund wishes to use some of its gold. I am not speaking of imports of gold



which will take place in various parts of the world. I am speaking now of outward movements of gold. Those outward movements will not occur until there appears to be a scarcity of currency, and when that scarcity of currency appears, the gold will be shipped from that point which satisfies the various criteria which have been suggested along with the proposal. The accretion of gold will likewise be sent to those places which are most convenient and most economic and which take into consideration the possibility of future withdrawals. I therefore cannot see any discrepancy between the views which were expressed by the delegates who were troubled by the amendment and those who supported the amendment. I think it rests on a misunderstanding and therefore in view of the fact that the Special Committee is already burdened with work, and in view of the fact also that we wish to complete this session so that we can go on with the Bank, I would urge the members to disapprove of the move to return it to the Special Committee, and accept the majority of the report of the Special Committee.

Delegate from Czechoslovakia: Mr. Chairman, I second the motion.

Reporting Delegate: I wonder whether we can have the amendment read again. ~~Subsequent to the amendment about the index~~  
I think the impression is that the Fund has <sup>the free</sup> three disposals only--10 percent of its gold holdings at all times, and that the other 90 percent had to be located in the member countries with the 5 largest quotas.



Dr. White: Let us be practical about this, and know that the five centers named are the countries which in any event would have in due time ~~xxx~~ at least 90 percent of the gold.

Delegate from Netherlands: Mr. Chairman, may I raise the point of order. I don't think you can have a vote on two things at the same time. You can't have a vote on whether the amendment should be sent back to the Drafting Committee and at the same time on the acceptance of the majority suggestion, because they are entirely different things. I would be against sending it back to the committee, and I may use two minutes to explain why it seems very difficult for anybody to imagine that ~~anybody~~ anyone who is or has been a business man is not contented with the limitation on horizon of which he can never free himself. I want to explain that my objection doesn't go so much against any sort of wording, nor is it only a matter of practicability. It goes to the spirit of this amendment. It brings in a connection ~~wix~~ between the size of the quota and the purposes for which the Fund will hold ~~gnd~~ gold, which to my mind is entirely wrong, and if someone asked me in my country, "where is my gold going?", my answer would be, "The gold is going to the Fund," because I have participated in the Fund, and the Fund will be needed for some time. Therefore, I would be against referring the matter back to the Drafting Committee.

Dr. White: The point of order is clear, and a motion was made to send the matter back to the Special Committee. That motion was seconded and amended by the Delegate from Czechoslovakia that the majority report be accepted. The



amendment to the amendment is now before the Commission.

~~xxx~~ Did I hear a second to that second amendment.

The Delegate from Ecuador seconds the amendment. We have now before <sup>you</sup> ~~xx~~ the amendment to the amendment that the report of the majority of the committee be accepted.

Delegate from New Zealand: I would not want to question the ruling, but I have found it tremendously to take two amendments at the same time, one of which is referring it back to the committee, and the other to support the report.

Dr. White: There was no motion in the first place to accept the report, Mr. Nash.

Delegate from New Zealand: When the report comes. Might I refer to what the chairman of the Netherlands Delegation had to say. He said members of his country when being asked to put in their gold would want to know where it is going. I say that the report as submitted by the committee does say where it is going. It is going to the fund--wherever it is, it is going to the Fund. It says nothing else here but the Fund. This conference determines where the Fund shall keep it, but it is going to the Fund. That would answer the point that the Chairman of the Netherlands Delegation is asking, where the gold is going. It will go to the Fund, he would say.

Delegate from Netherlands: I didn't ask the question.

Delegate from New Zealand: The Chairman of the Netherlands Delegation said that someone associated with him would ask where the gold is going and he said he wanted to be able to say it was going to the Fund and



I say he can, in accordance with the proposal, say it is going to the Fund. And this country determines where the Fund should keep authorized proportions of its total holdings of gold. If there is an objection to a part going to four countries and not being under the complete control of the Fund, that objection can be made to one of the countries where the principal office of the Fund is. If we are going to designate one country, it seems just as justifiable to me to designate other countries too. If we are going to do any discriminating, it seems a good case to designate 50 percent where the Fund has principal its/office, 40 percent in other countries, and 10 percent in smaller countries.

Delegate from Soviet Union: Mr. Chairman, We completely agree with the view expressed by you that there is some misunderstanding on this question. There is not a real divergence between the proposal made by the majority of the committee and the views expressed by the Netherlands Delegate. We support this motion to accept the report of the committee, but I should like to make one remark. The last sentence of this proposal is rather too indefinite, and would it not be better to delay this last sentence because it is in some contradiction with the general principle expressed in this proposal.

Delegate from United Kingdom: Mr. Chairman, doesn't the course of our discussion illustrate the extreme difficulty of debating the subject <sup>of with</sup> at this degree of intricacy without some written material before us.



Dr. Bernstein reads very clearly and distinctly, but many of us, I think, have difficulty retaining in our heads all the various aspects of so complicated a provision, and I do seriously suggest that although I am well aware that time is pressing, we shall be making a very important decision ~~xxxx~~ in unseemly haste ~~xxxx~~ <sup>if</sup> we proceed to a vote until the paper is before us.

Dr. White: Delegate from United States.

Delegate from United States: Mr. Chairman, as Mr. Bernstein stated at the opening of his remarks regarding this provision, if the Delegate of the United Kingdom will refer to page 29 of the Old Testament he will find the substance of what we are now discussing, the two modifications which have been made in the text of (b), on page 29, which is as follows: Before the last sentence, add the following: "At least 40 percent of the holdings shall be held in the four other principal depositories. ~~af~~ All transfers of gold by the Fund shall be made with <sup>transfer</sup> due regard to the cost of transportation and expected requirements of the Fund." And the Delegate of the U. S. S. R. has suggested the deletion of the last sentence of 6(b); with that the United States would like to join.

Dr. White: May we clear the docket by taking up the various amendments so that the specific problem may be before you. The first amendment before the floor is the amendment to the amendment made by the Delegate from Czechoslovakia that the majority of the report be accepted. In view of the fact that since that there was a suggestion for a deletion of the last phrase, then the chair suggests



that with the approval of the Delegate of Czechoslovakia that we ~~xxxxxx~~ pass the second amendment and come to the first amendment and we will have the provision before us, then the proposal that is before you for action is the motion by the Delegate from the Netherlands that the ~~x~~ matter be referred back to the Special Committee for action. I am sorry, then it was not the Delegate from the Netherlands; the Delegate from the United Kingdom made that amendment. Am I correct? If so, that is the motion before you now. Shall this matter be referred back to the Special Committee for action. All those in favor say "aye". ~~xxxxxx~~ (Ayes heard.) All opposed, "no". (Noes heard.) I am afraid I shall have to call for hands. All those in favor of referring this proposal back to the Special Committee will ~~xxxx~~ please raise their right hands. Will the secretary please count? All those opposed please raise their hands. The motion is lost. We now have before us the proposal that the majority recommendation of the Special Committee be accepted with the last sentence ~~xxxxxx~~ deleted, so that it shall read: "The Fund may hold other assets including gold in depositories in the five members having the largest quotas and in such other depositories as it may select. (continued reading down to "special requirement of the Fund.")

Delegate from Norway: Mr. Chairman, may I suggest that there is a special word about deletion of the last sentence. I think if we delete the last sentence we are all blind, blind, blind.



Dr. White: The Chair will put the motion.

The Delegate from Belgium.

Delegate from Belgium: Mr. Chairman, I would just bear out what Mr. Rasminsky said a few minutes ago. We are just confronted now with the text and some explanations. It does not seem to agree with the explanation you gave, because according to the text as we read it, it seems that only 10 percent of the whole gold will remain free, definitely, whereas, according to your explanation, after the beginning the gold will flow freely.

Dr. White: In view of the fact that the dining room is about to close, the Chairman will adjourn the meeting to be opened again; it is now twenty minutes past two; this meeting will begin in this room at 4:00 o'clock.