

8<sup>th</sup> Meeting

Meeting of Commission I

July 18, 1944

11:30 a.m.

Dr. White: The Commission meeting will please come to order. We will first have the report of the Special Committee of this Commission which has just completed its session this morning. We first have the report on Article I.

Mr. Bernstein: Mr. Chairman, the Special Committee considered this morning a proposed change in wording in Article I, subitem (i).

Dr. White: Article I, Section (a).

Mr. Bernstein: Subitem (i).

Dr. White: I think the document you are referring to unfortunately is not the correct one. The delegates have before them Document 321.

Mr. Bernstein: That is the one I had in mind.

Dr. White: Paragraph (a), Article I, page 1, Document 321.

Mr. Bernstein: (reading) "To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.

Dr. White: The change is the insertion of the words, "and collaboration".

Mr. Bernstein: That is right, Mr. Chairman.

Dr. White: The recommendation of the Committee is to insert the two words, "and collaboration" after the word "consultation" in the paragraph (a) of Article I. Anyone wish to commend on that recommended change. The Delegate from Colombia.



Delegate from Colombia: (Speaks in Native Tongue.)  
(In English) -- I think, Mr. Chairman, that paragraph (b)--

Dr. White: This is paragraph (a) of Article I.  
Your comments referred to the whole article.

Delegate from Colombia: Paragraph (b).

Dr. White: Paragraph (b). Anyone wish to comment on the recommended change of the Special Committee? If not, the Chair will call for a vote. All those in favor of accepting the recommendation of the Special Committee of the insertion of the words, "and collaboration," after "consultation", please signify by saying "aye".

(Ayes heard.)

Contrary minded? The Commission accepts the recommendation. Any further recommendations on Article I?

Mr. Bernstein: Yes, Mr. Chairman, I believe that we have not yet had an opportunity to report a change in provision (b) of the same article. It is now proposed by the unanimous vote of the Special Committee to reword this article 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 real income," and the bigger change comes ~~now~~ now, "and to the development of the productive resources of all members as ~~the~~ primary objectives of economic policy." The Committee was unanimous in agreeing that this was an improvement on the previous language, and whole-heartedly recommends the adoption of the new wording.

Dr. White: Shall I read that change once more. It is the insertion of the words, "and real income", after the phrase, "levels of employment," and then followed by



"and to the development of the productive resources of all members as primary objectives of economic policy." The Delegate from Colombia.

Delegate from Colombia: (Spoke in native tongue.)

Dr. White: May we have a translation.

Translator: (Speech read, inaudible.)

Dr. White: The Delegate from Colombia has made a splendid statement in support of the recommendation of the Special Committee and in support of the entire Article I. Is there any other comment? If not, the Chair will ~~xxxxxx~~ ~~xxxx~~ ask for a vote on the recommendation of the Special Committee with respect to the modification of the phraseology in paragraph (b). The Special Committee has recommended that the words, "and real income" be inserted and that it read, "and to the development of the productive resources." Those in favor of accepting the report of the Special Committee, please signify by saying "aye".

(Ayes heard.)

Contrary minded, "no".

The report of the Special Committee on the modification of paragraph (b) is accepted by the Commission. The next item on the agenda report of the Special Committee is on the location of offices. That is in Article 12.

Mr. Bernstein: Mr. Chairman, on page 31 of the old testament, document 32, there are two alternatives. The Special Committee recommends merely the consideration of the two alternatives by the Commission. The first reads as follows: "The principal office of the Fund shall be located in the member having the largest quota. An agency <sup>by</sup> with branch offices may be established in any member or members." The second alternative, "The location



of the principal office of the Fund shall be decided by the Fund at the first meeting of the Board of Governors, which shall take place in the territory of the member having the largest quota." That is the meeting place. The selection of the principal offices is left to the Board of Governors at that meeting.

Dr. White: The Special Committee reports that the choice of Alternative A and B shall be left to the Commission, and the Special Committee makes no report in favor of either of the alternatives.

Mr. Bernstein: That is right, Mr. Chairman.

Dr. White: Then the alternatives are before you. Is there any comment on Alternative A? The Delegate from the United Kingdom.

Delegate from United States: Mr. Chairman, on behalf of the United Kingdom Delegation, I am withdrawing Alternative B standing in our name, and I wish at the same time to make it clear that in the opinion of the British Government the location of the Headquarters of the Fund ought not to be considered without reference to the location of other international bodies which will be established. In our view, therefore, it is premature to take any final decision on this matter until more is known concerning the general framework within which these other bodies will work. The same observations apply equally to the location of the projected bank for reconstruction and development. His Majesty's Government, the United Kingdom, may therefore find it necessary at some later date to ask that all such interrelated questions should be considered as a matter for decision between Governments rather than the technical conference, and it is subject to that reservation



that we accept Alternative A, and withdraw our own amendment.

Dr. White: The Delegate from the United Kingdom has withdrawn Alternative B, and has accompanied it with the statement which you have heard with respect to the reservation of his Government. Any further discussion. The delegate from Cuba.

Delegate from Cuba: The Cuban Delegation moves the adoption of Alternative A. We believe that the location of the principal office of the Fund is of primary importance to all nations participating in the Fund. We believe that not only because country had the original idea of the Fund but because of the fact that geographically it is the center of most of the nations participating at this meeting and finally it is to-day the center of transactions of international trade, that the offices should be located here. We also feel that since the amounts to be kept in depositories, at least in the initial stage of the Fund, the gold to be kept, at least 50 percent, in the country where the principal office is located. Most of our governments would like to know, in joining the Fund, exactly where that gold is to be initially located and therefore we move the approval of the Alternative A submitted now to the Commission.

Dr. White: A motion has been made to accept Alternative A.

Delegate from Ecuador: I second that motion.

Dr. White: The motion has been seconded by the Delegate from Ecuador. Any further discussion of that motion? Since there is no delegate that wishes to discuss that motion, the Chair will put the question to a vote. All those in favor of accepting Alternative A, Section 9,



which reads: "The principal offices of the Fund shall be located in the member having the largest quota. Any agency with branch offices may be established in any member or members." All those in favor of accepting that provision signify by saying "aye". (Ayes heard.) Contrary minded, "no". The ~~xxx~~ Commission has accepted provision 9, Alternative A. The next item on the agenda is to act on the whole of Article XII. That one provision was excluded from previous discussion. Now that each one of the provisions have been acted upon and accepted, I want to put to a vote the question of the adoption of the whole of Article 12. Does anyone wish to comment on Article 12 before I put the matter to a vote?

Q. What page is that?

Dr. White: Pages 23 and 24 of the document before you, document 321. All those in favor of adopting Article XII, signify by saying "aye". (Ayes heard.) Contrary minded? Apparently some of you have difficulty finding the particular article referred to. It is Article 12 in the so-called New Testament, pages 23 and 24. I shall put the vote again. All those in favor of accepting Article 12, please signify by saying "aye". (Ayes heard.) Contrary minded, "no". The Commission has accepted the whole of Article 12. The next item is a report by the Special Committee on definitions.

Mr. Bernstein: Mr. Chairman, this is Article XVIII in the New Testament.

Dr. White: Article XVIII, Document 417, which has been distributed and should be ~~xxx~~ before you, entitled Definitions, Alternative A, is a three-page document.



Mr. Bernstein: The Committee is unanimous in recommending certain definitions to the Commission. These are definitions of monetary reserves, definitions of initial holdings, definitions of convertible currencies, definitions of deductions from gross monetary reserves to get the official holdings, the inclusion of special securities under Article III in the Fund's holdings, the question of taking certain convertible currency holdings--

Dr. White: May I suggest that you delay that for a moment.

While you are doing that, may

Mr. Nash: Mr. Chairman, I call attention to the fact you passed Article XII and I think the correct number is Article XIII. Article XIII refers to the location of offices. Article XII is to be amended.

Dr. White: The Delegate from New Zealand calls attention to the possible error. The Secretariat will explain the apparent difference.

Secretary: We have the difficulty of having two documents before some members of this conference and only one document before the conference as a whole. The Drafting Committee in its labors has turned out the document before some of you and has a very limited distribution. The revised draft has no standing because the committee has not yet finished with it. In that document there some renumbering of articles. The document which is formally before this conference is still 321 in which the location of offices and depositories is labeled Article XII.



Dr. White: Do I understand that the reason that was not distributed more widely because it was necessary only in the Drafting Committee and would have confused the members to have it distributed. You were correct Mr. Nash. In the ~~xix~~ other draft it was Article XIII.

United Kingdom: For the convenience of the members of the Drafting Committee who only have the one document with them, would the Secretary be kind enough to give the correct number of the document?

Dr. White: There are extra copies of 321/and on the table if anyone wants them -- Those that do not have 321 before you would you just keep your hands raised until they can quickly give them to you? (Document distributed). I think we may now proceed. Mr. Bernstein, would you continue? We are now referring to Document 417.

Mr. Bernstein: I refer to Document 417 which is not included in Document 321. The Special Committee recommends unanimously the adoption of the definitions that are before you in Document 417, although they have been working on some slight modification in words which do not affect the principle of these definitions.

Dr. White: Document 417 containing definitions is before you. The pages are 47, 47a and 47b but it has been distributed as a separate three-page document. Anyone wish to discuss it? Delegate U.S.S.R.

Delegate from U.S.S.R.: The Soviet Delegation was not yet able to consider the changes made in this provision by the Special Committee and therefore would be unable to express its final consent to it



and therefore as some other members who have not seen the draft we should postpone this question for another meeting of the Commission.

Dr. White: Would the reporter of the Special Committee indicate which sections were changed or, rather, were any sections changed?

Mr. Bernstein: There has been before the Special Committee for its consideration some verbal changes in these definitions. Apparently I was in error in reporting that the Special Committee was unanimously in favor of the principles embodied in these definitions as they are reworded by the Special Committee. I had been under the impression after discussion this morning that everyone was agreed on the definitions. We have discussed it there but I don't press the point. If the Delegate from Soviet Union wishes to reserve any of these definitions until a final draft from the Drafting Committee has come forward, I suppose it ought to be done that way.

Have  
Q. Would it be possible - ~~if~~ changes been made in all sections or only 2 or 3 of them?

Mr. Bernstein: There have been slight verbal changes in one or two of them but if this Commission would agree to the principle of these definitions it would then be possible for the Delegate of the Soviet Union to place his reservation which would be withdrawn, I presume, when the Drafting Committee Report have revised definitions to which he might then give his approval.



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Dr. White: Delegate U.S.S.R.

Delegate from U.S.S.R.: I accept this proposal.

Dr. White: Delegate from U.S.S.R. accepts the  
proposal.



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DR. WHITE: What is before the Commission now is the acceptance of the principles as stated in Document 417, with the possibility that any Delegate will have the opportunity of raising a question if the draft <sup>if they do</sup> ~~not~~ find the draft in accord with the principle.

POLAND: May I refer to point 7 --

DR. WHITE: Point 7 on page 2 of the document

POLAND: May I refer to point 7 on page 2 of the document. On page 2 of the document of 47 A, reference is made at this point to other documents, to the American proposal and proposal of Professor Robertson. May I ask have these been published?

UNITED STATES: Mr. Chairman, the very next number is the document which is referred to above. The Special Committee had agreed on substantially is No. 8 with some minor restrictions which will make it a little simpler. The principle under 8 following what is referred to in No. 7 and it reads unanimously in the Special Committee on some slight re-wording but does not change the principles involved.

DR. WHITE: Is the Commission to understand that the reference matter in 7 is merely preparatory to the decision which is embodied in 8?

UNITED STATES: That is right.

DR. WHITE: That in order to understand what the Committee is recommending, it is possible to ignore 7 and concentrate on 8.

UNITED KINGDOM: Paragraph 7 appears to be a piece of narrative (inaudible) I originally submitted a much briefer definition of "current transactions", but after full discussion it has been decided to have a rather more extended one, although not quite as the one you see before you. But the final form



of 8 adopted by the Committee, is likely to be somewhat briefer than what you see before you, though longer than what is alluded to in my suggestion. It is interesting, but I think not very relevant.

DR. WHITE: Then paragraph 7 may be ignored for the purpose of examining the report of the Committee. The statement has been made that the drafting committee will re-word paragraph 8 and will introduce some minor modifications which will shorten, somewhat, the list.

CHINA: At the meeting of the Special Committee, I had suggested that this list of "current transactions" should include immigrant's remittances. I find it excluded, but I think the Committee may have a good reason for excluding that item in that further part of immigrant remittances are covered by other agencies, such as, income from business, such as payment for personal services and income from business that really constitutes the major part of remittances (immigrant). If the Committee omitted that item of immigrant remittances on the understanding that they are covered by various other items, they are submitted before us -- then I would accept this addition.

DR. WHITE: The Chair will venture the opinion that the term "immigrant remittances" already has a very definite meaning in the literature of the subject and I would doubt very much that it could be included in those two items. What is the view of the Special Committee?

UNITED STATES: It is the view of the Special Committee that a remittance by an immigrant from a country to his home



country -- the home of his origin -- was a "current transaction", if that remittance was not for the purpose of transferring capital in the evasion of any regulations of the country from which the remittance is made. -- if not for the purpose of indicating regulations on capital transfers.

DR. WHITE: Then the Chair will submit that <sup>if that be</sup> the interpretation of the Special Committee and the recommendation of it, that will be the will of the Commission. It would be quite unfortunate to leave that out because immigrant remittances <sup>would</sup> mean something definite --/give rise to difficulties later.

UNITED STATES: The definition that has been adopted -- <sup>before you</sup> the one ~~xxx~~ allows for the fact that it is impossible to cover every transaction in a list. It is intended to cover transactions of which violation in the form of capital transfers hidden as "current transactions" cannot easily take place. No one doubted for a moment that immigrant remittances as defined by the Chair are current transactions. Everybody agreed that it is possible to abuse such an item and use it for capital transfers. Without including in the list it is nevertheless covered by the concept of other transactions which the Fund would regard as "current."

INDIA: Mr. Chairman. I would like to have one point clarified by Mr. Bernstein. I am referring to the last page of Doc. 417, the last item-- Item No. 3. "Other payments, such as reasonable amortization and depreciation, which the Fund may from time to time regard as due on transactions on current account." If a member country raises a loan to the Bank and has got amortization provision for the repayment of the loan in a period of 20 years, we would say that the amount of amortization in a particular year becomes a "current transaction" for that year.



UNITED STATES: It was the intention of the Committee to regard a payment of 1/20th of an obligation due in 20 years as reasonable amortization and be regarded as a "current transaction." The rest of that sentence "other payments, etc." is intended to cover just such cases as immigrant remittances.

INDIA: A further point is that if the loan is to be repaid in the after 10 years, the payment of that sum on the due date -- will that be considered a "current transaction" for that year.

UNITED STATES: I should make it clear that this list is not restrictive of a country's right to make any type of transfer of capital repayment of the debt out of their own resources if it wishes. This list is supposed to be a list which will govern, but without limitation, those transactions which are of a current-account nature and on which the restriction of payments other than during the transition without the approval of the Fund, cannot be undertaken unilaterally by a country. A payment of a very large sum in one lump -- an obligation due on a 20-year bond -- would be regarded, I presume, as a ~~api~~ capital transfer. Whether it should be regarded in that single case as reasonable amortization is more than I can say. My personal opinion is that it doesn't fall within the <sup>of amortization</sup> concept/which is a series of payments.

DR. WHITE: For purposes of further clarification, does the Chair understand that in the last clause (iii) on page 47a the statement "other payments, such as reasonable amortization and depreciation, which the Fund may from time to time regard as due on transactions on current account." It is under that clause that you include immigrant and emigrant remittances, provided the Fund decide they are not transactions which are cloaking capital movements.



UNITED STATES: It is that definition which is without limitation, as you will read in the first line of the first sentence of eight: ~~xxxxxxx~~ "International transactions on current account (or better still, current international transactions) shall be deemed to include, but without limitation." Therefore they can be deemed to include if they would, immigrant remittances. ~~x~~

DR. WHITE: In other words the Fund would have determination of inclusion or exclusion....

GREECE: As immigrant remittances have great importance with regard to countries, I would like to have the interpretation that an income which is the result of business in a country will not be treated in a different way. If this income belongs to an immigrant or to any other persons. We provide here that payments due as interests <sup>on</sup> and loans, <sup>on</sup> dividends and securities, income from other property or business ought to be considered as current accounts. Now if this business belongs <sup>emigrant</sup> to an immigrant there is no reason why the income of the immigrant ~~emigrant~~ will be treated in another way as if the business belongs to any other national. On the other hand, in paragraph 2, we say ~~that~~ payments due for personal services. If a remittance is derived from personal service of an immigrant, I don't see how this remittance would be dealt with in another manner because this remittance comes from an immigrant. I think that personal services -- payment for personal services -- or from business -- whether they belong to other persons or immigrants, must be treated the same way.

DR. WHITE: I think this refers only to non-residents. Therefore, I do not see the relevance, unless I misunderstood what your point is. It applies only to non-residents.

GREECE: I am ~~afraid~~ afraid in the interests of the clarification of the subject, we must have some clearer definition about the immigrant remittances.



DR. WHITE: I presume the immigrant remittances means either that a family at home is sending money to a <sup>son in a</sup> foreign country or the son in the foreign country is sending money home.

GREECE: Either way.

DR. WHITE: With the explanation that ~~ixxx~~ has been offered by the Special Committee that that would be included in "current transactions" unless they are of a character or magnitude which, in the opinion of the Fund, become capital movements, and the jurisdiction with respect to the interpretation of the movement would rest with the Fund. Is that the correct statement of the Special Committee?

UNITED STATES: I think that is the view of the Special Committee.

UNITED KINGDOM: I have been informed by <sup>our</sup> ~~the~~ representative is being of the Special Committee that this page/~~be~~ re-considered. In that case, is it useful for us to discuss it.

DR. WHITE: The Chair might state that the difference between the re-drafting -- no change of substance, just change in the wording -- so if the delegate wishes to raise the question is it a change in substance, it would be in order for the guidance of the Drafting Committee.

UNITED STATES: The reconsideration that the Special Committee is giving is not whether something "A" or something "B" is a "current transaction." There is no difference -- no real difference of opinion on that at all. All that the Special Committee is seeking to do is to find a way of saying in fewer words what we are all agreed on. I think it is inevitable that the delegate from China or Greece will want to ask whether certain types of transactions are intended to be ~~covered~~ by the definition. It is impossible to answer whether a transaction is or is not ~~covered~~ covered. There may be a good deal about transactions that must be <sup>some</sup> ~~corrected~~ <sup>considered</sup>



first, but so far as an immigrant remittance is concerned, if it is not merely so-called <sup>and</sup> but is intended as a transfer of capital, if it is not merely a remittance in the way of a one-sided gift of nominal amounts, but in fact a hidden capital transfer, it cannot fall under "current transactions." If it is one-sided, not intended as a capital transfer, it would be a "current transaction." We leave to the Fund the question of the very narrow point. ~~XX~~

FRANCE: (Speech by Mendes-France in French)

The Minister of Finance of the Provisional Government of the French Republic said the following: - He thinks that it is necessary to send the question back to the Special Committee and not to the Drafting Committee, because there are problems beyond mere problems of wording and drafting. There is an important question of substance which is involved. The French Delegation, when the question will be referred to the Special Committee, is planning to present a new proposal. The problem may be stated as follows: In this question of defining "Current transactions" we are facing two contradictory risks. On the one hand, we might have a definition -- too short a definition -- too restrictive -- and in that case that would put an obstacle to the development of transactions. On the other hand, if we have a risk which is too extensive, we have another risk, namely, that this would be against the interests of the requirement of certain countries which have to take some protective measures in order to maintain the equilibrium of the balance of their payments. Now the question is a question of time. We can solve this contradiction by introducing a sort of time element. In the first period, it would probably be better to have a narrower definition of current transaction because in that period



it is not possible to draw much from the Fund and because in that period it is natural that some controls, or possibly many controls, will be kept, but later on we can envisage the possibility of widening or broadening this definition of "current transactions" because it would be possible then when the <sup>first</sup> needs of the reconstruction have been satisfied -- will be then possible to have more things included in the conception of "current transactions", and on the other hand, it would be possible to loosen somewhat or much the exchange controls. So this is the way in which the French Delegation thinks that the problem might be solved. And Mr. Mendes-France thinks that this conception should be embodied in the text. If and when the question is referred to the Special Committee, the French Delegation will offer a text along these lines.

DR. WHITE: The Chairman sees that there are two questions before the Commission.

FRANCE: Mr. Mendes-France wants to state that what has been said refers to the period following the transitional period.

DR. WHITE: Apparently there are two questions before the Commission. One has been raised by the Delegate of the French Comité, namely, that the definition be modified in order to make them more restrictive during the earlier period. The other question before you is whether to accept the general principles and framework of the definitions and refer them to a drafting committee for possible modification along the lines which have been originally suggested, so that it would come back to the Commission after it had been modified by the drafting committee. The question raised by the French is a more serious one and one ~~in~~ which would not lend itself to



sufficient clarity of direction to the Drafting Committee so that they would know how to proceed. I think that question has to be settled by the Commission before the matter is turned over to the Drafting Committee.

UNITED STATES: I submit that the suggestion of the Delegate from the Provisional Government of France does not cover the point before us. The reason is this. There is no measure of need by a government which can reflect whether a transaction is or is not current. That is a matter of fact. What the delegate is proposing is that during certain periods governments shall have the right to restrict certain transactions. There is no difference of opinion between us on that at all. A procedure is already available by which every transaction covered in this definition may nevertheless be subjected to the control of a member government. Those provisions are first during the transition and second, at any time with the approval of the Fund. I can see nothing gained by setting up a definition of "current transactions" which shall apply during the first three years of the Fund, another definition to apply during the next three years, and finally, another definition to be applied thereafter. We shall never settle the problem of dealing with these restrictions by attempting to do it through a definition of "current transactions."

COLOMBIA: (Speech given in Spanish)

The Chairman of the Delegation from Colombia states that it is in agreement with the position taken by the Delegation from the U.S. with regard to the definition of some transactions. The Delegate from Colombia would be opposed to a definition which would serve for one period and another definition for another period. In their view, the definition ~~could~~ should be permanent. As stated by the Delegation of the U.S. the Fund provides



for machinery to take care of the transition period. Should the proposal presented by the French delegation be accepted, the Delegation of Colombia would have to also present some reservation asking for provision for a special <sup>definition</sup> ~~recommendation~~ should the <sup>conditions</sup> ~~definition~~ in Colombia and other similar countries change, not in the period immediately following the war but ~~in~~ in the years afterwards.

UNITED KINGDOM: I should like to add my voice to those that have been raised in objection, attempting to handle this problem along the lines suggested by the French Delegation. What I think the point of substance was -- that the Delegation from France was making -- was this, that in the first few years after the transition period those countries which are still administering exchange control over capital movements may <sup>agree</sup> ~~need~~ to administer them very strictly, while possibly at a later date they may find it possible not to administer them so strictly, not to require them meticulously as to whether it does or does not ~~require capital transfers~~ contain elements of capital nature. That is true and may be all too good, but you cannot handle that in a way in which controls are administered by attempting to define in advance that in one period certain things shall be regarded as being of a capital nature and being of the period which shall not -- It is hopeless to deal with this problem by having two different lists for two different periods. It is a problem of administration of controls, not a problem of defining what is or is not a capital movement.

FRANCE: Mr. Mendes-France states he has the feeling that he was not clear enough and there has been some misapprehension of his position. He thinks that it would be bad financial administration to have several definitions. In no way did he mean that there should be two or many definitions. The question is not that. What Mr. Mendes-France suggests is that we should



have a flexible system for the definition of "current transactions" and this flexibility should be timed with the evolution of needs and requirements of countries. The needs will be, at first, such that they will require a limitation of capital export, but gradually it will be possible to facilitate international movements of capital and to give more elbow room to operations. Therefore, he suggests not several definitions and he insists on this point, but he would accept that there be a list which has to be revised in the Special Committee, but the Fund should be given the power to revise the notion in the daily routine of its work -- the notion of current transactions -- and would gradually enlarge the number and type of operations which he regards as "current transactions". Now Mr. Mendes-France has noted the reference made by Mr. Bernstein to Article VIII, section 2, on page 18, concerning restrictions on current payments. This Article says (Subject to the provisions of Article VII and XIII, no member shall without the approval of the Fund impose restrictions on the making of payments, etc.) Mr. Mendes-France thinks that this Article is probably too strict and does not give enough room to the countries and that is why he would not have the type of presage at least.

DR. WHITE: In light of the interpretation which the Delegate from France has offered, it would seem that his point is already fully met in the provisions which are here. In section 8 it says "International Transactions etc." In other words the Fund is given degrees of flexibility which would seem to me to meet the point of the French Delegation.

UNITED KINGDOM: We are under a great disadvantage in the fact that we are attempting to discuss the text which is not likely to be the text, that ~~ix~~ shall ultimately be put forward. I hope those words giving the Fund power to declare what everyone has always known to be a capital transaction, or vice versa, will not appear in the text which is ultimately sub-



mitted for the approval of this Conference. I repeat again that the right way of dealing with the problem raised by France seems to me not to give the Fund power to redefine from time to time what is capital movement and what is not capital movement, but for international exchange control when they are able to do so to interpret more liberally their own national regulations which they are entitled under the statutes to impose upon movements of capital. If they choose to relax those regulations in the course of time, that is all to the good, but there is no reason it seems for the Fund to redefine what is a capital transaction and what is a "current transaction" and it would be most dangerous to allow any such power.

DR. WHITE: In view of the ample discussion on this point which has taken place, the Chair will attempt to obtain the will of the Commission. Apparently it is suggested that the matter be referred back to the Special Committee -- that the Special Committee make such modifications for the Drafting Committee -- or rather the Drafting Committee make such modifications for the Special Committee -- and that it would come before this Commission in drafted form and that the members would be in a position to consider the matter more intelligently. I am therefore going to ask the will of the Commission, whether that is the proper procedure. All those in favor of referring it to the Drafting Committee --

UNITED KINGDOM: One more point. It is not easy to hear exactly the question you are putting to us.

DR. WHITE: The question which is being put before you is whether or not to refer the recommendation to the Drafting Committee.

DELEGATE: Not to the Special Committee.

DR. WHITE: No.



UNITED STATES: Would it be possible to rephrase the point ~~put~~ put to the Commission in this form: That the Commission approves the principles in the definition and that the Draft will then be submitted by the Special Committee to the Drafting Committee based on these principles? The final text of this will be included in the document which will ultimately come before them anyway. <sup>His point is</sup> /To approve the principles recommended by the Special Committee which will send its ~~xx~~ document to the Drafting Committee.

DR. WHITE: That the Commission accept the principles as enunciated in the recommendation and that the matter be sent to the Drafting Committee for such modification as the Commission has indicated would be satisfactory. All those in favor of -----

I still don't understand  
UNITED KINGDOM: / What you propose. Will it come before the Commission in any form or not?

DR. WHITE: It will come before the Commission in its final drafted form.

FRANCE: What Committee does it go before?

DR. WHITE: We are now going to accept the general principle -- whether the general principal as stated in the recommendation of the Special Committee is acceptable to the Commission. If ~~xxx~~ they so vote, it will then be referred to the Drafting Committee for such modification as they deem to be desirable. It will then come before this Commission.

? : I understand Mr. Berstein's proposal to be a slight modification of what you are suggesting. The Commission is now invited to accept the principles and then the document goes to the Special Committee which may make other modifications; and then to the Drafting Committee, and then the Drafting Committee will send it to the Commission in final form.

FRANCE: I second the motion.

UNITED STATES: I submit that what Mr. White said -



precisely does this Commission approve the principles?

?: Then the document will go to the Special Committee.

?: No, the Special Committee will send a document involving these principles to the Drafting Committee. The Drafting Committee will embody the text and will bring it before this Commission.

DR. WHITE: Does it go back from here to the Special Committee or the Drafting Committee?

UNITED STATES: It doesn't go back to the Special Committee at all for drafting of the points. It is not any longer, after this Commission votes, concerned with such questions of principles as the Delegate of France raised. It is now concerned exclusively with sending a document to the Drafting Committee ~~embodysingx~~ with the principles embodied here.

DR. WHITE: Are there any other Delegates in doubt of what the question is? Now we are going to call on the vote of the Commission to determine whether or not they accept the principles as recommended by the Special Committ~~ee~~tee and that a document be referred to the Drafting Committee for modification.

FRANCE: I wanted to know, however, how should I vote when I support the general principle of this text, but if I want to have substantial change in the form? That is why I hoped it would be possible to accept the principle, but to send it back to the Special Committee to get a change in the ~~form~~ before going into the Drafting Committee.

WHITE: If the Delegate from France has reference to the alteration of form and not substance, I should say vote yes on the question before the Commission. If, however, the views of the delegate are that there is a change of substance that he wishes to introduce then he would vote "No" on this question. There is a further question that for purposes of clarification that the Drafting Committee will in its modifica-



tion take cognizance of the desires of the French Comité and make as much progress towards their objective as is possible without introducing any great change in substance.

NEW ZEALAND: The ~~idea~~ idea is that we approve the principles as they have been enunciated by the Committee this morning, and in the report, but there are points which have already been discussed by the Special Committee that want slight clarification. Might it not be possible for us to approve improve the principles and instruct the Special Committee to clarify the points, then send it to the Drafting Committee. ~~and the Special Committee~~ The Special Committee would not then have to report again.

DR. WHITE: All those in favor of that procedure, signify by saying aye. All agree. Then that will be the procedure. The next item on the agenda is the emergency provision. Will the Special Committee please report.

UNITED STATES: Mr. Chairman, the Special Committee considers the problem of measures that might be needed to take care of emergency situations. May we request Mr. Luxford, who sat with our Committee, to go over this point, and explain to the Commission what is involved.

LUXFORD: Mr. Chairman, I believe that everyone present at the Special Committee had a great deal of sympathy for the original proposal of the United Kingdom that in an emergency of one character or another that might arise which would require action on the part of the Executive Director to meet it even though that action might go beyond the narrow text of the document before us for consideration at this time. However, the problem presented was how to meet that emergency and still not delegate to any executive directorate the authority to re-write this document which everyone agreed would be highly objectionable in many respects. From the discussion, there emerged another proposal. I will give it to you in principle



rather than in precise terms. In the event of an emergency which threatens the operations of the Fund in whole or in substantial part, the executive directors by unanimous vote may suspend for a period of not more than 120 days any of the following specific provisions. At this point would be listed the specific operating provisions which might possibly be involved. Such suspension may be continued by 4/5th's vote of the Board of Governors for a period of 365 days but may not be further extended except by an amendment to this agreement. The executive directors or the board of governors, as the case may be, may lift the suspension. The theory being that it might not be desirable to give the executive directors the right to re-write this provision, and still it might be perfectly all right for the executive directors by unanimous vote to agree to suspend a specific operating provision. In using that word in a narrow sense to distinguish voting quotas on which the executive director would have no such right but on precise operating provisions such as the re-purchase provision and the right of access to the Fund, those would be the type of provisions which the executive director might by unanimous consent suspend temporarily.

DR. WHITE: You have heard the recommendation of the Special Committee on this emergency provision. Is there any comment?

UNITED KINGDOM: I should like to advise the Commission to accept the report of the Chairman of the Special Committee with the explanation of Mr. Luxford. Late on Sunday night, we had some doubt as to whether it was quite certain that in the future what we are doing would be sensible and practical. We thought it was wise ~~that~~ not only for that reason but because of the very complicated character of the technical operating clause, that the document which contained -----  
they found  
to the executive directors if/that the clause was unworkable,



if it was to give effect to the workings of the Fund to modify the Fund. That obviously created the objection that the executive director might have power to appoint <sup>alter</sup> substantially what the document intended, and the suggestion has come forward from Mr. Luxford that we will arrive at the same thing in a slightly different way. That if an emergency is created, (inaudible) I agree with him thoroughly. (inaudible) and the proposal of Mr. Luxford is going to work out exactly as we had in mind.

DR. WHITE: The United Kingdom urges that we adopt the recommendation of the Special Committee without further reservation with respect to the special provision. Is there any further discussion?

I suggest  
NEW ZEALAND: /Mr. Luxford and those working very carefully watch the effect of Article VII, or whatever the number is, <sup>now</sup> on amendments, because there may be some provisions in that Article which would be affected by what they are proposing to do now.

DR. WHITE: Do I understand that the Drafting Committee will exercise care to see that there is ~~isn't~~ modification of any other provision.

NEW ZEALAND: There is a provision in the agreement for its provisions to be amended under certain conditions and we want to watch that the amendment proposed and carried out by the directors may be all in order and may not be tending to override the general provisions that are already being provided for.

UNITED STATES: He has thoroughly covered the question. That is specifically what is stated. There would be no question of any informal method of amendment.

DR. WHITE: The Chair is going to call for a vote. Those in favor of accepting the recommendation of the Special Committee on emergency Amendments, please signify by saying aye (Chorus of ayes) Contrary-minded. The Commission accepts the



recommendation of the Special Committee on Emergency Amendments. Gentlemen, we have asked for the dinner to be postponed slightly and I think we can get through in about ten minutes, but we shall not carry you beyond. It is now 1:25. We shall not carry you beyond 1:40, whether we finish or not, but I think we can.

The next item is  
/The adoption of Article XVI, which is the Article relating to amendments, which the Delegate from New Zealand has just referred to. Document 321, page 25 and page 26. Any discussion of that amendment? If not, the Chair will put the question to the Commission. All those in favor of adopting Article XVI, dealing with amendments, signify by saying "aye" (Chorus of ayes) Contrary-minded, please say "no". The Commission accepts the report on Article XVI. The next item deals with the obligations to sell currency for gold. Will a Special Committee please report on that? Page 13 of Doc. 321.

UNITED STATES: Mr. Chairman, this provision deals with the method by which the Fund may replenish its holdings of the scarce currency. It is quite clear that it was the intention of this Commission that when such a contingency arises the Fund ~~pass~~ sells ~~pay~~ gold to a member and the member would be obligated to buy that gold with the currency that is scarce. It has occurred to many that the statement that we have, while clearly understood by the delegates that have been working with it, is ~~that~~ <sup>may not</sup> ~~it is~~ not clear enough, so that it ~~will~~ be understood by those who will have to deal with it later. It is impossible to ask the future managers of the Fund to be bound by ~~it~~ the oral statements of this Conference, and, therefore, the Special Committee recommends that subsection 2 of section 2 read as follows: "The Fund may, etc."

DR. WHITE: You have heard the report of the Special Committee to substitute the phrase "the Fund, etc." and that comes under the section 2 of Measures to Maintain the Fund's Holdings of Scarce Currency." Is there any discussion on that



point?

FRANCE: For clarification in the sentence "buy that currency from that member with gold!" Has the country the right to decline that?

DR. WHITE: If I understand that this calls for a change in substance -- that it was the understanding of all the delegates that the member was required to purchase the currency with gold, and that it is being made implicit in the statement, in view of the difficulty of future persons to know what the general understanding was, so that the statement would now read: "that the Fund may require the country to purchase its currency with gold." I mean for gold." The Chair will put the question to vote.

NEW ZEALAND: There is one other point, and I'm sorry I can't find the reference -- there is a reference in the agreement which gives the member the right to buy gold from the Fund, but if you exercise the two --- he's got to sell ---- and now he turns around and says "Now I'm going to buy" ----- There is a power under certain circumstances that a member can exercise by using gold to buy currency from the Fund. I am wondering whether the fund will be required to buy the currency from him with gold. Then he says "I'm going to buy some currency with the gold. That point it would be difficult to work.

UNITED KINGDOM: The reference he is talking about is Article V, section 7(a), which entitles the member to repurchase from the Fund for gold any part of the Fund's holdings of its currency.

UNITED STATES: It is quite true that section 7, Article V, states a member may repurchase from the Fund with gold, etc. It should be made clear that the intention of this section -- is to make it possible for a country to avoid charges by repurchasing the currency holdings of the Fund with Gold. It is obviously not intended as a device by which a country can



make a scarce currency in the Fund somewhat scarcer. I don't think there is any real problem there at all. The problem we have is the overriding problem that the Fund must be in a position to replenish holdings of scarce currency. To do that it must be able to buy the currency from a member with gold and the member must sell the currency for gold.

NEW ZEALAND: I accept that under the wording desired except in that the member is desired to sell the currency of its country for gold but there is this other provision and this positively states "the member must repurchase from the Fund for gold and part of the Fund's holdings for currency." You can't have those two transactions and expect it to be properly administered. I am only suggesting that what is desired can't possibly be carried out.

UNITED STATES: That can be taken care of very simply. A member may repurchase from the Fund for Gold any part of the Fund's holdings of its currency in excess of 3/4 of its quota, or, if you wish, it can be done by saying a member may repurchase from the Fund for gold any part of the Fund's holdings of currency provided it had not been declared scarce.

LUXFORD: I think what you may need is "provided that such purchase does not reduce the Fund's balances of such currency below the necessary working balances." That is the language you have used now or have contemplated using in section 2. In order to replenish the Fund's balances when they are below working balances. Now you have given countries right to purchase back its gold providing it does not reduce the Fund's balances of such currency below the necessary working balances.

DR. WHITE: That is clearly the intent of the Commission. Couldn't that part of it be referred to the Drafting Committee <sup>namely</sup> ~~now~~ that this recommendation of the Special Committee, ~~namely~~



be accepted and that the Drafting Committee be instructed that the other clause be brought into harmony with this one. The Chair will call for a vote on this provision. All those in favor of accepting the report of the Special Committee, (on (ii) of section 2) please signify by saying: "aye." (Chorus of ayes) Contrary-minded. Then the Drafting Committee will please have in mind the modification of that statement in order to bring it into harmony with the other provisions. The final item of business is item 9. Please turn to page 18 of Doc. 321 -- this is the final item, and you have five minutes to get to dinner.

UNITED STATES: The Special Committee has recommended that <sup>we</sup> refer back to the ~~Committee~~ Commission this ~~xxx~~ important problem. The last sentence of section 2 of this Article reads: "The Board should select, etc."

A number of delegates have felt this provision would make possible the concentration in one person of the three important executive offices of the Fund. That is to say, the managing director, the chairman of the executive directorate, and the chairman of the board of governors. Such a concentration of power might be unwise. If we could delete the words "all the managing directors " it would then follow that the managing director could not be the chairman of the board of governors since the board should select a governor as a chairman, and the managing director is not a <sup>member</sup> ~~governor~~ of the board. Then the managing director would be <sup>with</sup> the executive director, but he won't be the chairman of the board of governors.

DR. WHITE: Is there any comment with respect to the recommendation? No, it has not made a recommendation. Does any delegate wish to comment on that? Does any delegate wish to make a motion on that?

UNITED STATES: Mr. Chairman, I move that we delete the



words "for the managing director" from the ~~xxxxxxx~~ sentence  
"Board shall select, etc."

DR. WHITE: The motion has been made to delete the  
words. The motion has been seconded. Is there any discussion.  
The Chair will put the motion to a vote. All of those in  
favor of deleting those three words which would exclude the  
executive ~~manager~~ manager of being chairman of the board of  
governors, please signify by saying "aye." (Chorus of ayes)  
Contrary-minded. Then the meeting will be adjourned.