

9th (Final Meeting)

COMMISSION I

Auditorium

9:00 p.m. July 19, 1944

Take 1
ARB

DR. WHITE (CHAIRMAN): The meeting of the Commission will please come to order.

The first item on our agenda is the report of the Drafting Committee. The Chairman is Mr. Rasminsky of Canada.

MR. RASMINSKY: Mr. Chairman, I have the honor to submit herewith the second and final report of your Drafting Committee. The report consists of the articles of agreement of the International Monetary Fund and has been circulated as Document No. 448.

(Mr. Rasminsky read his report, concluding with a statement of certain changes in Document 448.)

MR. RASMINSKY: I should not ask the Commission to make these changes if they were merely typographic errors, but in practically every case if there is a mistake in reference it involves substantial meaning and it is for that reason that I have felt it necessary to ask the Commission to make these changes. There are other typographical errors which I am not asking you to correct.

(Mr. Rasminsky read further changes in Document 448, and concluded with request that the Commission permit the Secretariat to correct other typographical errors.)

NORWAY (DR. KEILHAU): Mr. Chairman, may I draw the attention of the Commission to one more error on page 47? It states that this is done at Washington instead of Bretton Woods.

MR. RASMINSKY: I believe that the position is that, though no one would deny that this was done at Bretton Woods, the agreement itself will be open for signature and will be signed at Washington and not at Bretton Woods.

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VICE CHAIRMAN: Is that satisfactory? (After a pause)
The Chair will ask for the approval of the proposal made by the Drafting Committee to the effect that the Secretariat be empowered to make due and formal corrections of typographical errors and any erroneous cross-references. Any comment on that?

NICARAGUA: Mr. Chairman, I think that the Reporting Delegate at the very moment is pointing to a few omissions and typographical errors which seem to have crept into the documents. I have been able to see some of the work of the Drafting Committee and I know this, that for many nights we have been working to the early hours of the morning and if all the effect would just amount to a few typographical errors I think we must compliment them on their work and I think that this meeting should be very, very grateful to Mr. Rasminsky and his collaborators in doing all this for us.

(Cries of "Hear, hear" and applause.)

VICE CHAIRMAN: I understand that the opinion of the whole Commission is that the request made by the Secretariat be granted.

(Cries of "Yes" and "Hear, hear.")

VICE CHAIRMAN: The report of the Special Committee. Mr. Bernstein.

MR. BERNSTEIN: Mr. Chairman, I am not sure which of the points that the Drafting Committee has brought forth in its report as changes of greater or lesser degree in substance should again be brought before the Commission. Nearly all the new material that you find in this draft was approved in principle by this Commission before the Special Committee undertook the further consideration of the subject in greater detail.

There are a few points, however, that the Special

Committee has taken the liberty to modify in some degree, which the Committee would like to bring before this Commission for its approval.

In Article V, section 7, on page 7, on the repurchase of its currency by a member from the Fund.

VICE CHAIRMAN: What page?

MR. BERNSTEIN: Page 7. In paragraph (c) of that section on page 12, the Special Committee has made a change. Previously, when brought before this Commission, the repurchase obligation was not terminated when the currency repurchased under one of the repurchase provisions had fallen to 75 percent of the quota. There was another provision requiring the consent of the country whose currency was being sold to the Fund or, rather, was being used to repurchase the member's currency.

In the opinion of the Special Committee, it was desirable to drop the requirement of consent and to place the further limitation that the repurchases should not extend beyond the point where the Fund's holdings of the currency have fallen to 75 percent of the quota. The Special Committee recommends to the Commission the approval of this change.

VICE CHAIRMAN: Any comments on that?

(None)

VICE CHAIRMAN: If no comments are made, the Chair assumes that the matter is approved.

(After a pause) It is approved.

MR. BERNSTEIN: Mr. Chairman, at the meeting of the Special Committee last night the delegates of several countries suggested that some modification in Article XII, section 3 on executive directors would be desirable to meet future contingencies.

It is proposed on page 26 to amend paragraph (b) to read as follows:

"There shall be not less than twelve directors who need not be governors and of whom five shall be appointed by the five members having the largest quota."

I am sorry. (Inaudible) "the twelve directors need not be governors."

"(i) five shall be appointed by the five members having the largest quotas;

(ii) not more than two shall be appointed when the provisions of (c) below apply;

(iii) five shall be elected by the members not entitled to appoint directors, other than the American Republics; and

(iv) two shall be elected by the American Republics not entitled to appoint directors.

For the purpose of this paragraph" -- and this, I believe, is the addition -- "members' MEANS governments of countries whose names are set forth in schedule A whether they become members in accordance with Article XX or in accordance with Article II, section 2.

When governments of other countries become members, the board of governors may by a four-fifths majority of the total voting power increase the number of directors to be elected under (iii) by adding one director for each of the members having quotas equivalent to 500 million of U. S. dollars of the weight and fineness in effect on July 1, 1944; provided, that members may be added..... having more than one-half of the necessary approval."

Now, in order that this change shall be in harmony with certain other provisions of the agreement, so that the quota strength necessary for increasing the unit of executive

directors shall not be varied by uniform change in par value, Article.....should be amended and the computation under Article XII, section 3, paragraph (111) should be amended by adding the following sentence:

(Please
check
this.)

"Whenever the board of governors increases the number of directors to be elected under (b) (111) above, it shall issue regulations making appropriate changes in ^{the} proportion of votes required to elect directors under the provisions of schedule (c)."

The substance of this provision, Mr. Chairman, was considered by the Special Committee and there was unanimous agreement within the Committee to recommend to the Commission the adoption of this article to provide for future contingencies on the basis of a four-fifths vote of the board of governors.

EGYPT: On a point of order, there was an amendment by the Egyptian Delegation which was not taken into account on account of a technical misunderstanding. We have brought an amendment asking or requesting for the Middle East to be represented by one seat, and this was turned down on account of a supposed difference or conflict with the Cuban Delegation's amendment but this, as we explained subsequently, was not the case and that we were quite in accord with the Cuban Delegation's amendment.

I now beg to recognize Mr. Falaky to explain the situation.

EGYPT (MR. FALAKY): Mr. Chairman, in the last meeting of Commission I when the Egyptian amendment providing for the allotment of one seat on the board of executive directors to Middle East countries was brought forward with the object of putting it to a vote, it was passed

over and not put to a vote on the ground that it was in conflict with Amendment J of the Cuban Delegation. The conflict was that the number of executive directors suggested in J was twelve, whereas the original Egyptian amendment had provided for fifteen.

The facts, however, are that in the Ad Hoc Committee which was held before the last meeting of this Commission the Egyptian Delegate modified his amendment by reducing the number of directors to twelve instead of fifteen in compliance with the suggestion made by one of the delegates of the United States.

The Egyptian proposal, after modification, stands for the allocation of a number of seats on the executive directorate to ex officio members, the remainder to be allotted equitably between economic and geographical areas. By this we meant two seats for Latin America, which we supported last time and which was passed, one seat for the Middle East countries. I need not, Mr. Chairman, repeat what I have stated on previous occasions in justification for granting one seat to all Middle East countries beyond stating that this would be the only means of consistently applying a principle already admitted by this Commission.

Gentlemen, I would urge you to consider the proposal which has already been seconded by Iran and Iraq. Mr. Chairman, if this is not out of order, may I ask you to put it to a vote.

VICE CHAIRMAN: I think that the suggestion made by the -- or the report by the Special Committee is under discussion, and I think the discussion should go on regarding that Special Committee's report. So, is there any other comment on that report?

SOUTH AFRICA: Will the Egyptian Delegate tell us where the Middle East starts and where it ends?

EGYPT: The Middle East countries were represented in a financial conference in Cairo last April and are absolutely definable.

SOUTH AFRICA: It would be helpful if he would be able to tell us exactly which those countries were.

EGYPT: They certainly include Egypt and the Soudan area, Lebanon, Ethiopia, Tripoli, Iran, Iraq, and Cyprus even is included. India was included then but I would like to exclude India now because it may have to have a seat by itself, it is such a huge country.

INDIA: Do you include India among the central countries?

SOUTH AFRICA: May I ask another question just as a matter of elucidation? I take it that the proposal of the Egyptian Delegation refers to what is referred to in this document as "original members," and I think, therefore, if a proposal of that kind went through the whole of this clause would have to be reconsidered when other members came in to consider whether, for example, a country like Turkey is or is not in the Middle East.

EGYPT: A point of order.

DR. WHITE: There is a point of order before us, I understand, and in order to obtain the view of the commission as to whether or not ~~it~~ wishes to sustain the point of order which was given at the last meeting with respect to the matter raised by the Delegate from Egypt, I will ask the opinion of the Commission. The question is, does the Commission support the point of order which was made at the last meeting with respect to the motion made by the Delegate from Egypt. Is the question clear? (After a pause) If the question is clear, I am going to put the question.

Those in favor of supporting the decision of the Chair at the last meeting with respect to the motion made by the Delegate from Egypt please signify by saying "Aye."

VOTE: Aye.

DR. WHITE: Contrary minded?

(None)

DR. WHITE: Then, the Commission supports the decision of the Chair and the point of order is sustained. ♪

The next item of business is the report by the Special Take 2 fols. Committee, Mr. Bernstein.

Mr. Bernstein: The recommendation of the Special Committee on Article XII, section 3, is before the Commission at this stage.

Dr. White: Article XII, section 3, it is now being distributed to you, contains Document 466. Will the reporter indicate what is the specific paragraph which is before the Commission. (Whispers to Reporter) He has done that already. Any comment on the report of the Special Committee on this item? Does any delegate wish to comment on this report that is before us? Delegate from South Africa.

Delegate from South Africa: Gentlemen, on a point of order. The voting of your ruling at a previous meeting which the Commission has just given was, I think, based on the fact that at that meeting you ruled that there was a difference in substance between the Committee consisting of 12 members and a committee consisting of 15 members.

Dr. White: That is my recollection of the ruling.

Delegate from South Africa: In that case I would like to ask your ruling on the question of whether this proposal is in order. This proposal is to increase the number from 12 to 14 and I would submit, if I may, if this would be in order, the proposal of the Egyptian Delegation would also be in order.

Dr. White: This report comes out of the Special Committee which was ordered by this Commission to prepare a report on this subject. Therefore the report of the Special Commission is very much in order. Gentleman from Luxembourg.

Delegate from Luxembourg: I presume the Egyptian Delegate can move his proposal as an amendment to the proposal now before us.

Dr. White: I am very sorry sir, there was so much noise, I am sorry I did not hear you. Would you mind repeating your remarks.

Delegate from Luxembourg: Mr. Chairman, we have in the draft before us submitted by the Drafting Committee a section which is based on the substance ~~xx~~ of what we agreed to previously. We are now having put before us an amendment to this proposal, suggesting some alterations in this article. I presume the Egyptian Delegation can put forward another proposal also amending this Article.

Dr. White: Point of order is well taken. The Delegate from Egypt or any other delegate may now propose an amendment to this report of the Special Committee. Delegate from Egypt.

Delegate from Egypt: The only amendment I should submit would be that the Middle East be allotted one seat on the regional basis after the big 5 or big 3 or whatever. The official members would select two for Latin America and one for the Middle East.

Dr. White: Without adding to the total?

Delegate from Egypt: Without adding to the total.

Dr. White: The delegate from Egypt proposes an amendment that there shall be included in this provision the statement that one delegate from the Middle East shall be added--

Delegate from Egypt: Middle East, by election.

Dr. White: Shall be included among the delegates indicated here. The motion is before the house. Any delegate second the motion? Delegate from Iraq.

Delegate from Iraq: I second the amendment.

Dr. White: The delegate from Iraq seconds the amendment. It is before you for discussion. Anyone care to second the amendment. Since no delegate wishes to comment on the amendment the Chair will put the matter to a vote. The amendment is before you for voting. All those in favor of approving the amendment raised by the Delegate from Egypt signify by saying "aye". (Aye's heard) Those contrary minded signify by saying "no". (No's heard). The amendment is disproved. We will then return to the report of the Special Committee.

Mr. Bernstein: I notice on the mimeograph sheet, four lines from the bottom, that "under (iii) above" is included as a limiting provision. "Under (iii) above" is no part of this provision. May we strike it - 4 lines from the bottom.

Dr. White: Fourth line, beginning with the word "under
stricken
(iii) above", that phrase shall be ~~stricken~~ as not being part of the report?

Mr. Bernstein: That is right.

Dr. White: Is stricken as being a typographical error. Any further discussion on this report by the Special Committee? If not, the Chair will put the report of the Special Committee to a vote. All those in favor of accepting the report of the Special Committee indicated on Document 466 please signify by saying "aye". (Aye's heard) - Contrary minded, no. The Commission has accepted the report of the Special Committee, Document 466. Are there any further items to be reported by the Special Committee?

Mr. Bernstein: There was one item I proposed for change in Article XX, section 2(d).

Dr. White: Article XX, section 2(b), page 42.

Mr. Bernstein: That is 2(d) at the bottom of the page.

Dr. White: 2(d) at the bottom of the page.

Mr. Bernstein: We propose to change the word in the third line of that paragraph "At the time this agreement is signed on its behalf each government shall transmit to the Government of the United States" from 1/20 of 1%, change that to 1/100 of 1% of its total subscription.

Dr. White: The report is to change from 1/20 to 1/100. That would reduce the amount ^{by} 1/5 of ^{the} ~~its~~ present ^{provision} subscription.

Mr. Bernstein: This is not a report by the Special Committee but a proposal by the Delegate from the United States.

Dr. White: This is a proposal by the United States delegate. Any discussion of that amendment. If not, the Chair will call for a vote. All those in favor of substituting 1/100 for 1/20 please signify by saying "aye". (Aye's heard) Contrary minded? The Commission accepts the change from 1/20 to 1/100. The next item on the Agenda -- Any further report by the Special Committee?

Mr. Bernstein: The Special Committee has no further material to report.

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

Delegate from U.S.S.R: The U.S.S.R. Delegation wants to present its remarks concerning the Article XIX on page 40 and 41.

Dr. White: Article XIX, page 40 and 41.

Delegate from U.S.S.R. "Explanation of Terms". The Soviet Delegation is in consent with this Article with the exception of the point, ⁴ ~~the~~ (1) which provides that the term "current transactions" should include the item

"Moderate immigrant remittances for family living expenses. This item was included by the Special Committee yesterday in the night. The Soviet Delegation is of the opinion that in some cases it should be difficult to distinguish those transactions remittances from capital export ~~transactions~~ which under the provisions of the Fund can be restricted by the export regulations of the members. Therefore the Soviet Delegation suggests that immigration remittances should not be especially mentioned among the current transactions. In our opinion the last sentence of Article XIX which authorizes the Fund to determine in any particular case whether transactions connected with immigrant remittances should be considered current transactions or capital transactions. Therefore we propose to omit this item from the enumeration of the current transactions. Another point to which the Soviet Delegation should like to draw the attention of the Commission is the ~~xxx~~ fact of applying the provisions regarding the term "monetary reserves".

Dr. White: Would the Delegate from the Soviet Union feel that it would be desirable to act on the first suggestion before taking another one?

Delegate U.S.S.R. It is only the wish to express --The Soviet Delegation-- that the Fund in its future operations will pay due attention to the fact that in the Soviet Union the monetary reserves and banking activities are strongly centralized and this fact must be taken into consideration in applying the terms "Fund's monetary reserves".

Dr. White: The Delegate from the Soviet Union has raised two points. The first refers to the reference to immigrant remittances which is on page 41, last sentence and the Delegate from the Soviet Union suggests or moves-- Mr. Delegate, do you wish to move that this last sentence be deleted-- Moves that

the last sentence be deleted from the section, that the sentence beginning with " The Fund may, after consultation with the members concerned, determine whether certain specific transactions are to be considered current transactions or capital transactions." Does your proposal also include (4) above that?

Delegate from U.S.S.R. Only(4).

Dr. White: Will the Delegate from Soviet inform me whether you refer only to (4) or to the last sentence, or both.

Delegate from U.S.S.R. Only to (1) of (4).

Dr. White: Only to point (4) Moderate immigrant remittances for family living expenses, leaving to the Fund's determination as expressed in the last sentence whether it is one or the other. The question before you is whether or not to delete the sentence "Moderate immigrant remittances for family living expenses" under paragraph(4). Anyone wish to discuss that motion? I might say that this matter has been discussed at great length and I hope that the members will confine their discussion at this point to some brief remarks . Delegate from France.

Delegate from France: (Spoke in French) ~~Translated~~
~~followed~~

Dr. White: The Delegate from France supports the proposal of the Delegate from Russia, advocating the deletion of section 4. Does the Delegate from France wish to have that translated?

Delegate from France: I think it is useful.

Dr. White: Will the translator please translate?

Translation: The Chief from the French Delegation supports the Russian proposal. He states that paragraph (4) modifies profoundly the definition of current transactions. Paragraphs 1, 2 and 3 refer to obligations to pay which are contractual in nature. Paragraph 4 refers to voluntary payments. Nobody here, in his opinion, thinks that it is necessary to attribute to funds sent by immigrants to their families. The French Delegation believes the same equilibrium must be maintained.

Delegate from China: This Article IV, paragraph (4) was discussed at length at last night's meeting of the Special Committee. It is generally recognized that immigrant remittances are current transactions. On the question of theory - ~~principaux~~ principle - there is no reason why that item should be excluded. There is the fear that immigrant remittances might conceal capital transfers. That difficulty, if it exists at all, exists in all the three categories mentioned in paragraphs 1, 2 and 3. If we are going to exclude paragraph 4 on that ~~xxxxxxx~~ ground then we have to exclude all the three paragraphs. Then the point is advanced that the three categories involved are of contractual nature, whereas the fourth one is voluntary. I would submit to this Commission that obligations to one's family are more binding than contractual. They are contractual and they are more than contractual. If a member-- if a man refuses, fails to support his family he is failing in more than a contractual duty. So, Mr. Chairman, I hope that this Commission, both on grounds of ~~xxxxxx~~ sound economy and sound morals, that this paragraph (4) be retained.

Dr. White: Delegate from Greece.

Delegate from Greece: Mr. Chairman, I want to support without reserve the proposal of the member from China. I think we have here to discuss a problem. The object of this proposal number 4 is to meet a real necessity. We know that some countries they have to export labor and I think that the guarantees provided in this section are quite sufficient to prohibit any export of capital. In the first paragraph we say that payments for current transactions means payments which are not for the purpose of transferring capital and in the paragraph 4, I think it is very moderate what we say here, "Moderate immigrant remittances for family living expenses". I don't think that anyone under this clause can ~~xxx xxx~~ suspect that the question is of a capital transfer but if (inaudible) The supposition is that these remittances are in no case to be considered as capital transfers otherwise every member has a right to prohibit it.

Dr. White: The Delegate from Greece supports the comments of the Delegate from China. Delegate from Cuba.

Delegate from Cuba: Mr. Chairman, I sympathize with the moral position and the human point of view which this amendment represents but the word "immigrant" in this section brings up a constitutional question of disparity among our own population. It would establish, in fact, a discrimination in favor of the foreigners in our own land. Where a Cuban would not be allowed perhaps by national law to make remittances to his family for his living expenses a foreigner, just because he is a foreigner, would be allowed. if this provision is retained that would be contrary to the constitution of our country which prevents discrimination against foreigners and if we cannot establish a discriminatory measure against a foreigner we cannot establish a discriminatory

measure against a national. I don't want to put obstacles in the way of this amendment but I must draw our constitutional difficulty to the attention of this assembly because we could not very well accept here something that would be contrary to the principles of our political constitution.

Dr. White: Delegate from India.

Delegate from India: Mr. Chairman, the Indian Delegation desires to associate itself with the remarks of the delegates of China and Greece. It is notorious that certain countries are in the position of having a substantial proportion of its adult labor population seeking a living in other countries and their families at home are in the habit of subsisting on a portion or the whole of the earnings which or emigrants these immigrants/earn and it would be a serious embarrassment to a large number of these governments if remittances were not included, as this draft rightly includes them among current transactions. The Indian Delegation supports the remarks of previous speakers.

Dr. White: Delegate from India supports the remarks of previous speakers. Delegate from Netherlands.

Delegate from Netherlands: Mr. Chairman, I would like to strongly support the standpoint of the Chinese Delegate. I think that while I quite agree with the French Delegate that the first three points have a bearing on the legal obligations, the fourth point is certainly related to other obligations, the obligations which arise from family ties and other ethical basis. I think that the remittances for family living expenses are so essential and are so widely common in history for a great many people that I think it would be very wrong to exclude them from this item. I think that the point of Mr. Machado might be met by leaving out the word "immigrant". I think it is

not necessary and I don't know whether the Delegate from China would be in agreement with that but anyway whether it is in or not I would strongly support the Chinese standpoint. I am not ~~taking~~ talking here of the financial interest of my own country as we are in the habit of making these remittances.

Dr. White: The Delegate from Netherlands supports the view of China. If the Commission approves I should like to limit the debate on this subject for another ten minutes. Is there any objections? Delegate from Bolivia.

Delegate from Bolivia: I wish to submit, Mr. Chairman, consideration in connection with this provision. From the very beginning I was not very keen about it but I did not want to raise the point. However, I submit that in a country poor and undeveloped, such as Bolivia, to which large numbers of immigrants have been going in the last years, these remittances would cause serious embarrassment in our economy because as everyone understands our supply of foreign e change is very limited and in a small country 30 or 40 thousand immigrants sending money abroad might really cause serious financial economic embarrassment. I wish to submit this to the consideration of the Commission and I know that there are quite a few countries in Latin America in the ~~p~~ same position as Bolivia.

Dr. White: The Delegate from Bolivia supports the position of the Delegate of Soviet Union and Cuba.
Delegate from Canada.

Delegate from Canada: I would not add to the discussion but I would simply say that the Canadian Delegation strongly supports the Chinese position.

Dr. White: Delegate from Canada strongly supports the Chinese Delegate. Delegate from Egypt.

Delegate from Egypt: The Egyptian Delegation strongly supports the proposal as put by China. The Delegate from El Salvador.

Delegate from El Salvador: The El Salvador delegation supports the view of China.

Dr. White: The discussion is before the Commission.

Delegate from Cuba: I would like to move as an amendment that the word "immigrant" be eliminated.

Delegate from China: Mr. Chairman, I accept that amendment.

Dr. White: The amendment that the word "immigrant" be eliminated is accepted by China. The question before you is that the phrase, "moderate remittances for family living expenses," shall be deleted from the report. All eliminating those in favor of ~~eliminating~~ the phrase, "moderate immigrant remittances for family living expenses" as sponsored by the delegate from the Soviet Union, please signify by saying "aye". (Ayes heard.) Those contrary minded, "no." (Noes heard.) The motion is lost. The Delegate from the French Committee.

Delegate from the French Committee: I wish to make a reservation.

Dr. White: You wish to make a reservation? ~~YES~~

Delegate from French Committee: Yes.

Delegate from Cuba: I was wondering what we were just voting on. Were we voting on the amendment or the substance?

Dr. White: I thought we were voting on the whole phrase, but the secretariat informs me that there was some misunderstanding. You are now going to be asked to

vote on the amendment, on the elimination of the word "immigrant". That is the sole question before us. We will then vote on the rest of the phrase. All those in favor of eliminating the word, "immigrant" from paragraph (4), so that the phrase will read, "moderate remittances for family living expenses," please signify by saying "aye". (Ayes heard.) Contrary minded, "no." Then the motion of the Commission is to eliminate the word "immigrant" from the phrase. Then I am now going to put the original motion. The Delegate from Czechoslovakia .

Delegate from Czechoslovakia: It is ~~not~~ necessary to add something "for family living expenses abroad"; otherwise it has no sense.

Dr. White: The word "remittances" is usually foreign remittances. May we have unanimous consent to add that word, "for the living expenses of families abroad". This refers to families living abroad. The Drafting Committee will figure it out if you pass it. Now I am going to put the question before the Commission. The question before the Commission is the proposal of the Soviet Delegate that the phrase "moderate remittances for family living expenses" be deleted from the section. All those in favor of deletion please signify by saying "aye". Contrary minded, "no". The Commission accepts the decision that the phrase be permitted in there with the deletion of the word "immigrant". Will the Chairman of the Drafting Committee see that "abroad" is put in the proper place. He shakes his head. The Chair will ask the will of the Commission in delegating this task to the Drafting Committee. All those in favor of turning this task over to the Drafting Committee signify by saying

"aye". (Ayes heard.) The next item, we will now turn to the second point raised by the Delegate from the Soviet Union. If I understand correctly, he wishes to call the attention of the Commission to the fact that the Soviet Union, by virtue of its state trading, has some of its balances held by some of the state institutions which correspond to the balances of private banks in other countries, and that the Fund should take that matter into consideration in estimating what are the initial holdings. Is that a correct interpretation?

Delegate from Soviet Union: Yes.

Dr. White: Delegate from United Kingdom.

Delegate from United Kingdom: The difficulty to which Dr. Smirnov has called attention was very much in the minds of the Special Committee in their numerous attempts to find a satisfactory solution of the drafting problem. I do hope that it has been met in a way which does justice to the point which he has raised. It attempted to do so, because Section (c), of Article XIX, page 39, does place "other official institutions," that is, official institutions other than Treasury, stabilization fund, etc., on a level with private banking concerns. With regard to the extent to which it is expected that whoever is entrusted with the task of computing ~~money in~~ monetary reserves takes into account ^{other} foreign holdings in respect of such/official institutions which I imagine would include the Soviet Trading Institution, as in respect of private banks. It is suggested that in computing the monetary reserves of a country that should only be taken into account insofar as there is reason to suppose that their foreign holdings exceed their reasonable

working balances. This paragraph then is an attempt to make allowance for the particular situation of the Soviet Union by assimilating the treatment of its trading institutions through private banks in other countries.

Dr. White: Does the Delegate from the Soviet Union feel that the explanation made by a member of the Special Committee as to the interpretation of paragraph (c) clears up the doubts which may have been in his mind as to the understanding of the Committee and of the Commission, for accepting
~~xxxxxxx~~ the Committee's report.

Delegate from Soviet Union: Yes, Mr. Chairman, I should like that this be left to the Committee.

Dr. White: Those remarks will appear in the minutes of the meeting. Any further point to be raised? The Delegate from the United States.

Mr. Bernstein: That means that the motion of the Delegate of the Soviet Union is withdrawn.

Dr. White: For your information, it was not a motion. It was merely a suggestion; am I correct? It was a request for a clarification. Any further business? Delegate from the United States.

Delegate from United States: Mr. Chairman, the Delegation of the United States would like to propose some very minor modifications in Schedule C on page 50.

Dr. White: Schedule C, what page?

Delegate from United States: It is on page 50. These changes that we proposed are on page 2 of document 466, which has just been distributed. The changes are as follows, Mr. Chairman:

Dr. White: Now what document are you referring to?

Delegate from United States: Report of the Drafting Committee.

Dr. White: Document 466?

Delegate from United States: Document 448, page 50; but document 466 contains the explanation and is before this Commission.

Dr. White: Document 466 contains an explanation of the change on page 50 to which you will presently refer.

Delegate from United States: That is right. The changes are as follows; page 50, paragraph 3, the 4th line from the bottom of that paragraph reading, "elected, and (b) those governors", cross out the next four words, "all or part of".

Dr. White: "all or part of" to be deleted from Section 3 on page 50. Could you indicate the significance of the deletion of that phrase?

Delegate from United States: I shall, as soon as I make one or two consequential changes in paragraph 4 in the first line, "In determining whether", delete the next three words, "any portion of". For paragraph (5) substitute paragraph at the bottom of page 2 of document 466. That is a very brief paragraph of four or five lines, so that it would now read: "Any governor, part of whose votes must be counted in order to raise the total of any persons above 19 percent shall be considered as casting all of his votes for such person, even if the total votes for such person thereby exceeds 20 percent." These changes, Mr. Chairman, have for their purpose the elimination of the provision which permits the division of the votes of a country when cast for a member of the Executive

Directors. Hitherto, under this schedule, if a country cast a certain number of votes, part of which were necessary to elect a director, and the rest were excess, the excess could be transferred. When a considerable number of directors are to be elected in this form and when a considerable number of countries are to vote, this division of votes for a country may be exceedingly important, but as we have now restricted the number of directors to be elected in any one body by having five elected from one group, two elected from the American republics, there is a great danger that this ~~xx~~ division of votes for a country may lead to some difficulty. It is not a significant change in substance, but merely for the purpose of adjusting Schedule C to a smaller number of directors now elected.

Dr. White: You have heard the explanation of the reporter for the Special Committee in the discussion of those changes. The Chair will put the question to the Commission. All those in favor of accepting the report of the Special Committee as changed, signify by saying "aye". (Ayes heard.) Contrary minded, "no". The Commission accepts the report of the Special Committee on the election of executive directors.

Delegate from the United States: I will suspend until you finish. ~~xxxxxxxxxxxxxxxx~~

Dr. White: I was about to say that the reporter informs me that was a report from the Delegate of the United States and not a report from the Special Committee. Delegate from United States.

Delegate from United States: It gives me pleasure on behalf of the United States to move the adoption of the whole document.

Dr. White: The Delegate from the United States moves for the adoption of the whole document.

Delegate from Czechoslovakia: I second the motion.

Dr. White: The Delegate from Czechoslovakia seconds the motion. The motion is before you to accept the whole document, 448, as corrected and amended and as accepted in to-night's proceedings. Any discussion on the motion? The Delegate from the Soviet Union.

Delegate from Soviet Union: Mr. Chairman, the Soviet Delegation should like to refer to some questions already discussed on this document. May I proceed with this explanation.

Dr. White: You are in order to raise any question on the document you wish.

Delegate from Soviet Union: The first one is concerning Article 5, Section 8(f), at page 14; paragraph (f): "All charges shall be paid in gold. If, however, the member's monetary reserves are less than one-half of its quota, it shall pay in gold only that proportion of the charges due which such reserves bear to one-half of its quota, and shall pay the balance in its own currency." The monetary reserves and gold reserves doesn't represent a factor relative to the prosperity of a country. Therefore, we propose to a uniform order to pay these charges that all countries would be allowed to pay a certain part of the charge in gold and the remaining part in its own currency.

Dr. White: The Delegate from the Soviet Union, referring to paragraph (f), page 14, proposes that all countries be treated alike and that the requirement that each country pay a specified portion of the charges in gold and in currency be indicated in that provision to replace the provision that all charges shall be paid in gold with the exception which follows. Any discussion of that proposal? The Chair will then put the matter to a vote, by the delegates. All those who wish to accept the proposal by the Soviet Delegation that Section (f) be altered in the manner which he has indicated, please signify by saying "aye". Contrary minded, "no". (Noes heard.) The Commission does not accept the proposal and the paragraph (f) remains as proposed by the Drafting Committee. The Delegate from the Soviet Union.

Delegate from the Soviet Union: The Delegate from the Soviet Union would like to reflect the proposal of the Soviet Delegation in the records.

Dr. White: The Secretariat will see that the proposal of the Soviet Delegation is contained in the records.

Delegate from Soviet Union: The second point to which we should like to return is the Article XII, Section 8, Communication of Views to Members.

Dr. White: What page may that be?

Delegate from Soviet Union: Page 31, Section 8. This concerns the second sentence in this section: "The Fund/ may, by a two-thirds majority of the total voting power, decide to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium

in the international balance of payments of members."

In our opinion, these reports presented to the members should be published reports as well as all other communications made ~~xxxxxx~~ by the Fund to the members should not be published. We propose to omit the words: "to publish the report" and to say, "to present a report."

Dr. White: The Soviet Delegation wishes to replace the words in the 4th line, stating "to publish a report" with the words, "to present a report." Is that correct?

Delegate from Soviet Union: Yes.

Dr. White: Mr. Rasminsky.

Mr. Rasminsky: May I ask whether that proposal also involves the elimination of the word "may" because the sentence requires a two-thirds vote to publish a report, which has been made. Is the proposal of the Soviet Delegation to require a two-thirds majority vote to make a report?

Dr. White: Did the Soviet Delegate have in mind that the change should affect the making of the report or merely the publishing of the report?

Delegate from Soviet Union: Our opinion is that report as well as the communications of the Fund to members should not be published.

It refers

Dr. White: ~~Thexrefexerex~~ then to the making public of the report and not the making of the report. Any discussion on that proposal. You have heard the proposal of the Delegate of the Soviet Union. Since there is no discussion, I will put the matter to a vote. Those in favor ~~signify~~ of ~~the~~ accepting the proposal of the Delegate of the Soviet Union, please signify by saying "aye". (Ayes heard.) Contrary minded, "no." (Noes heard.)

Dr. White: The Chair will ask for a show of hands. Those in favor of accepting the proposal of the Delegate from the Soviet Union signify by raising hands.

(Hands raised)

Dr. White: Contraryminded, please raise their hands.

(Hands raised)

Dr. White: The Commission votes not to accept the proposal of the Delegate from the Soviet Union on this matter.

Delegate from the Soviet Union: Mr. Chairman.

Dr. White: The Delegate from the Soviet Union.

Delegate from the Soviet Union: We propose to change this amendment in this way, that this report should be published only with the consent of the respective member.

Dr. White: The Delegate from the Soviet Union proposes that the provision be altered to read that the report shall be published only with the agreement of the member to whom the report is directed. Is that correct?

Delegate from the Soviet Union: Yes, sir.

Dr. White: Is there any discussion of that proposal? The Chair will put the matter to a vote. Those in favor of accepting the proposal of the Delegate from the Soviet Union that the report be published only with the consent of the member, please signify by raising their hands.

(Hands raised)

Dr. White: Those in favor of not accepting the proposal of the Delegate from the Soviet Union please raise their hands.

(Hands raised)

Dr. White: The Commission does not accept the proposal of the Delegate from the Soviet Union.

The Delegate from the Soviet Union.

Delegate from the Soviet Union: We propose to amend the proposal contained in Article XIII, Section 2.

Dr. White: Article XIII, Section 2.

Delegate from the Soviet Union: Page 32.

Dr. White: Page 32.

Delegate from the Soviet Union: The provision in paragraph (b) - we are in accord with this provision in principle but we want to add after the second sentence before the words "However, all transfers of gold", to include after the words "at least one-half of the holdings of the Fund shall be held in the depository designated by the member in whose territories the Fund has its principal office and at least forty percent shall be held in the depositories designated by the remaining four members referred to above", to add "in each of the four other countries with the largest quotas the Fund shall hold gold in an amount not less than the amount of their contribution of gold."

Dr. White: Would the Delegate from the Soviet Union, if he has the proposal written out, send it up to the Secretary? If that is written out, will the Delegate from the Soviet Union please send it up to the Secretary? In the meantime I will put the question. The Delegate from the Soviet Union states that he is in accord with paragraph (b) of Section 2 but proposes that there shall be added to the sentence ending with "four members referred to above" which is on the sixth line from the bottom of the paragraph, a phrase indicating that in each of the four other countries with the largest quotas that at least the gold which is contributed by that country shall be held there. I am not certain that is precisely what it is. When the Secretary receives the written document he will correct it, if necessary. In the meantime does anyone wish to discuss the proposal? Is the proposal clear to the members or would they like to have it read over again?

Delegate from _____: Will you have it reread, sir?

Dr. White: Would the Delegate from the Soviet Union mind reading just the sentence he wishes added?

Delegate from the Soviet Union: To insert in this Article, Paragraph (b) after the words "Initially, at least one-half".

Dr. White: I think they know that paragraph. If you don't mind reading just the phrase you would like inserted?

Delegate from the Soviet Union: To insert the following words: "In each of the four other countries with the largest quotas the Fund shall hold gold in an amount not less than the amount of their contribution of gold".

Dr. White: I understand that that phrase is part of the sentence. It is not a separate sentence. It is part of the sentence following the word "above", and therefore is modified by the word "initially". Is that correct?

Delegate from the Soviet Union: Yes.

Dr. White: The Chair wants to make that clear, that the statement is that initially each of the countries of the four largest countries shall have the gold which they contribute. I don't very well see how it is possible to be otherwise. You have heard the proposal. Does anyone wish to discuss it? If not, the Chair will put the matter to a vote. Those in favor of accepting the proposal of the Soviet Delegation that that phrase which you have heard be added to the sentence beginning with "initially" signify by saying "aye". ~~for~~

(Ayes)

Dr. White: Contraryminded, "no".

(Nos)

Dr. White: The Chair will ask for the raising of hands. All those in favor of the proposal of the Soviet Delegation please raise your hands.

(Hands raised)

Dr. White: Contraryminded, please raise your hands.

(Hands raised)

Dr. White: The proposal is lost. If there are no further matters to come before the Commission at this time we will return to the original motion which is before you. The Delegate from the United States moved

and the Delegate from Czechoslovakia seconded the motion, that the Commission accept the Report 448 in its entirety. The Delegate from Cuba.

Delegate from Cuba: Before the adoption of that motion I would like to have it clearly understood that in accepting the report No. 6 of the Special Committee on the election of Executive Directors, everything after the word "election" in the last paragraph of the Section 1 has been deleted.

Dr. White: Has it been documented?

Delegate from Cuba: Document 466, Report No. 6 of the Special Committee of Commission I, the first page.

Dr. White: On the first page of Document 466, and would you mind repeating your proposal?

Delegate from Cuba: My understanding is that in voting for this proposal everything was deleted after the words "number of directors to be elected".

Dr. White: No, just three words "under", the three iii in parenthesis and the "above" - those are the only three words.

Delegate from Cuba: I am afraid we voted on a misunderstanding and I move that everything after that be deleted.

Dr. White: The point of order has been raised that there was a misunderstanding in the voting with respect to the report No. 6 of the Special Committee and the Delegate from Cuba now proposes that all the words following "elected" shall be stricken from the paragraph. The Chair will call upon the reporter of the Special Committee to indicate whether or not that was intended or is that a change of substance?

Mr. Bernstein: It was intended, Mr. Chairman, but I see no objection to it. It leaves just that much more flexibility for the Board of Governors which must act by four-fifths majority. I can see no objection to it. It is not from the Special Committee but the American Delegation reports that change.

Dr. White: In view of the fact that vote of accord arose as a result of misunderstanding, the Chair will put the proposal of the Delegate from Cuba to a vote. The proposal is that all words after "elected" be stricken from the paragraph. That is the last four lines.

Delegate from Cuba: And three on the next page.

Dr. White: Would you mind indicating what on the next page you would have stricken out?

Delegate from Cuba: May I read the paragraph?

Dr. White: Would you please?

Delegate from Cuba: "For the purposes of this paragraph, members means governments of countries whose names are set forth in Schedule A, whether they become members in accordance with Article XX or in accordance with Article II, Section 2. When governments of other countries become members, the Board of Governors may, by a four-fifths majority of the total voting power, increase the number of directors to be elected" . That is all.

Dr. White: And the rest of the paragraph on page 1 and the part on page 2 are deleted?

Delegate from Cuba: That is right.

Dr. White: You have the proposal before you. Does any Delegate wish to discuss the proposal?

Delegate from Ecuador: I support the proposal.

Dr. White: The Delegate from Ecuador supports the proposal of the Delegate from Cuba. If there is no discussion on the proposal the Chair will put the proposal to a vote. All those in favor of accepting the proposal of the Delegate from Cuba that all words be stricken out after "elected" in Document 466 signify by saying "aye".

(Ayes)

Dr. White: Contraryminded? The Commission accepts the proposal of the Delegate from Cuba. The Secretary will designate this replaces the vote taken already on the basis of misunderstanding. Now we will

return to the motion moved by the Delegate from the United States and seconded by the Delegate from Czechoslovakia, to accept the Report 448 in its entirety which now includes the proposal, Document 466, as corrected. Is there any discussion of that motion? If not, the Chair will put the motion to a vote. All those in favor of accepting the drafted report of Commission I in its entirety please signify by saying "aye".

(Ayes)

Dr. White: Contrary-minded? The Commission accepts in its entirety the report of the Drafting Committee, Commission I. Mr. Rasminsky.

Mr. Rasminsky: I would like to request the assistance of the members of the Commission to report accurately to the Plenary Session the formal reservations which Delegations have entered with regard to particular sections of the Fund agreement. I have examined the records of the Commission and the only reservations I have knowledge of and which it is my duty to report to the Conference are the following: First, the reservation of the Soviet Delegation with respect to the last sentence of Article XIII, Section 2 on Page 32 of Document 448, which reads, "In an emergency the Executive Directors may transfer all or any part of the Fund's gold holdings to any place where they can be adequately protected." Second, the reservation of the following Delegations regarding the size of their quotas: Australia, China, Egypt, Ethiopia, French Delegation, Greece, India, Iran, New Zealand and Yugoslavia. Third, the statement of the United Kingdom Delegation that in the opinion of their government the location of the headquarters of the Fund ought not to be discussed without reference to the location of other international bodies which will be established and the United Kingdom's government may therefore find it necessary at some later date to ask that all such interrelated questions be regarded as a matter for decision among governments rather than at the technical conferences; and fourth, the formal reservation which I understand was entered tonight by the French Delegation objecting to the inclusion in item 4 "moderate

remittances for family living expenses" on page 41 of the interpretations of terms in this agreement. If any Delegation wishes to remind me of any formal reservation which they have made at meetings of the Commission which have escaped my attention or which they wish reported to the Conference and if any Delegation wishes to withdraw any formal reservation now standing in its name I would ask that I be informed immediately after this meeting. If I am not so informed I shall report in Plenary Session the reservations to which I have just referred.

Dr. White: I have been asked to make this announcement. The Special Committee of Commission II has been appointed and there will be a short meeting of the Committee immediately after this meeting in Room W-1. The countries represented on the Committee are Belgium, Brazil, Canada, China, ~~Stav~~ Czechoslovakia, France, India, Mexico, The Netherlands, Union of Soviet Socialist Republics, United Kingdom and the United States.

We cannot close this meeting without expressing our gratitude, appreciation and commendation for the splendid work which the Committees have done. They have worked long hours, way into the early mornings. Those of you who may have passed through the halls and committee rooms at two or two thirty or even three in the morning will have seen large groups of men working over the problems which they have been assigned. I haven't been to many conferences but certainly I have never seen anything like the extent to which these Committees have taken their responsibilities seriously and their keen desire to perform their tasks well. That they have performed their tasks well is apparent to all of you who have examined the document. I should like to give heartfelt thanks of the Commission to the Committees who have labored so long and well and I hope that posterity will indicate its appreciation

through an adherence to the peace and prosperity which we hope will be one of the results of the work of this Commission. The final meeting of this Commission - The Delegate from the United States.

Delegate from the United States: Before we adjourn, I speak on behalf of the Delegation from the United States but I doubt not what I shall say will be joined in by many Delegations present, I arise to pay tribute to the earnestness, ability and good nature of the presiding officer of this Commission, Mr. White.

(Rising to feet and loud clapping)

Dr. White: I sincerely thank you, gentlemen. The meeting is adjourned.

(11:00 P.M.)