CHAIRMAN: Committee 2 will come to order. As the first order of business I will report that our Reporting Delegate reported to the Commission this morning, and as a result of that report Section 2 under III, paragraph (c), the Alternatives A, B and D, on which we had not been able to agree, were referred back to this Committee. We have already had a discussion on those points. I do not know that the participants in that discussion have either changed their minds in the meantime or that there is additional information or additional argument to place before the Committee. Immediately it appears however the wish of the Commission that we should address ourselves to the subject and try and present a definite recommendation. I am therefore open to suggestions as to any procedure which we might adopt by means of a committee or otherwise by which we might follow up the wishes of the Commission.

REPRESENTATIVE OF THE FRENCH COMMITTEE: In order to save time I move that the Chair appoint and have a Committee for dealing with this problem.

CHAIRMAN: It has been moved by the French Representative.

DELEGATE FROM UNITED STATES: I would like to second the motion of the French Committee.

CHAIRMAN: It has been moved and seconded that the Chair should appoint a Committee to consider the problem which has been referred back to it and referred back to this Committee. May I take it that in the sense of this meeting the motion is carried.

DELEGATE FROM CANADA: Mr. Chairman, I would like to ask permission to make a short statement in connection with some observations I made as to Section 2(a) regarding the conditions governing purchases for capital transfers on page 6a. It is
evident that I didn't express my meaning clearly in connection with one observation since the reporter in his admirable report to the Commission this morning reported that I had made a certain statement which it was certainly not my intention to make. The question relates to the condition of a country which is imposing import control on capital movements. The matter was raised by the representatives of Greece and Australia as to whether such countries would be obliged to permit the sale of exchange for the purchase of their exchange for capital inflow. I said at that time that if there were general restrictions of capital inflow they would equally apply to capital inflow to the Fund but if there were no such restrictions currency purchased through the Fund would be good payment for capital inflow. In no case would the specific consent of the country into which capital was moving be required. I think that this inadvertence arises purely out of my own lack of clarity yesterday and I would ask the reporter whether he would be good enough to correct his report to the Commission in this respect.

CHAIRMAN: The matter which has been raised by the Delegate from Canada seemed to be entirely a matter of the recording of what he said and not much of any action of the Committee and I would suggest that the reporter might amend his report in the sense of Mr. Rasinsky's remark and I know Mr. Rasinsky would be willing to assist in making the report accurate. At the end of the last meeting we were engaged in a discussion of Section 4 of the Joint Statement, Alternative A of the Code, particularly Section 2 of that Alternative, page 8. I have been informed a number of countries, including those participating in that discussion would like to discuss the matter informally before going on further discussion in the Committee. The matter will be taken up later in the Committee and if I have the concurrence of the Committee we will
pass over it now to permit those informal discussions and take up this section again at a later date. Is there any objection? It is so ordered. We then pass to section 5 of the Joint Statement which has been extensively rewritten in the proposal, Alternative A. The Alternative reads: "Each member shall buy balances of its currency held by another member with currency of that member or, at the option of the member buying, with gold, if the member selling represents either that the balances in question have been currently acquired or that their conversion is needed for making currency payments which are consistent with the provisions of the Fund." May I at that point ask someone more fully informed than I whether "currency payments" is a misprint for "current payments", or is it as written?

DELEGATE FROM PHILIPPINE ISLANDS: I take it to be a misprint.

CHAIRMAN: "Currency" in the fifth line should read "current".

(Reading continued) "This obligation shall not relate to transactions involving: (a) capital transfers, except those transactions referred to in the second and third sentences of V, 1, below;" Those exceptions are on page 21 of the document. (Reading continued) (b) holdings of currency which have accumulated as a result of transactions affected before the removal by a member of restrictions on multilateral clearing maintained or imposed under X, 2, below; or (c) the provision of a currency which has been declared scarce under VI, above; or (d) holdings of currency acquired as a result of dealings illegal under the exchange regulations of the member which is asked to buy such currency; nor shall it apply to a member which has ceased to be entitled to buy currencies of other members from the Fund in exchange for its own currency. Nothing in this section shall be deemed to modify or affect the obligation of a member under IX, 2 and 3, below."
This proposal is open for discussion. Are there no comments or
discussion, since this is the opening proposal?

DELEGATE FROM THE PHILIPPINE ISLANDS: Probably this section
will ultimately find a place under Article 9 rather than Article 3,
in that it seems to me it might be well if the last sentence of
this were deferred until we have considered Article 9. I don't
know if anyone will feel any objection to that but it is a little
difficult to see at present. This may ultimately — until
we have cleared up Article 9.

MR. BROWN, UNITED STATES: There is a section (d) — "holdings
of currency acquired as a result of dealings illegal under the
exchange regulations of the member which is asked to buy such
currency;". The United States would like to suggest that in
place of the words "as a result of dealings" the words "contrary
to" be inserted. I think it is a matter of drafting and I think
it might be well if that particular section of (d) be referred
to the Asterisk Committee. I don't want to get too many jobs but
the question which arises in the minds of the American Delegation
is that the language as it is phrased might be held to mean that
a transaction comes through with a . . . . . . . The country
might refuse to recognize the obligation as to that currency.
I want to make the United States' position that the balance
passed by a country, the currency control as between the United
States and the United Kingdom, that the third country, say
Czechoslovakia, couldn't say that the transaction some year, or
England couldn't say that some early transaction of Czechoslovakia
violated the provision and I think the words "contrary to" in place
of the words "as a result of dealings under" will clarify that
situation.

CHAIRMAN: As I understand the proposal of the Delegate of
the United States, it was that (d) under this section should be
transactions or both. Eor if it were balances held as a result referred to the Asterisk Committee with the suggestion that, "contrary to" be substituted for "as a result of dealings illegal under".

DELEGATE FROM UNITED STATES—MR. BROWN: So that it would then read "holdings of currency acquired contrary to the exchange regulations".

REPRESENTATIVE OF THE FRENCH COMMITTEE: I would like to support the suggestion made by Officer concerning the deferral. I would mention an additional reason for deferring. I think there is a defacto and the former text of IX-2 because I do not see if Section (c) is applied . . . .

DELEGATE FROM CANADA: I should like to support the suggestion that this be deferred until the consideration of line 3, I should whole like to extend that as a exception to the preceding two lines — "nor shall it apply to a member which has ceased to be entitled to buy currencies of other members from the Fund in exchange for its own currency." It seems to me that there is some contradiction between that exemption in this new section 6 covering multilateral international clearing and old section IX, 3, not to impose restrictions on payments for current international transactions. The latter does not contain a qualification that that obligation "not to impose such restrictions" is not to apply in the case of members which have ceased to be entitled to buy currencies of other countries in exchange for their own. I would, therefore, suggest that these two lines as a whole be deferred for later consideration.

REPORTING DELEGATE: The Reporting Delegate would like to ask for some clarification concerning the word "balances" in the first line of this section, if it is in order. Which balances are those? In what cases may a country ask the payment in gold for the balances it holds from another country — I mean, are the balances left from transactions with the Fund, are they balances held from other
transactions or both. Now if it were balances held as a result of transactions with the Fund, that would be, it seems to me, in conflict with another text on page 12, sections 9 and 8. From this article I understand that when a country has some currency left from the Fund or has bought rather currency from the Fund, currency so in each Country and in order for such balance it will be from the Country B, the Country B must accept its own currency in payment. So here, if Country B is not to pay in gold for that currency, if we take Section 6, the first line as meaning balances coming from the Fund, that means that the Country B would have to rebate in gold, and you can see the great difficulty which might arise. Let me take one illustration. Suppose that, say Brazil, would have bought from the Fund some French francs. Now it might happen that the actual operation might not be exactly as forecast, there might be a balance left. Would in that case France be obligated to make payment in gold?

REPRESENTATIVE OF THE FRENCH COMMITTEE: It is optional.

REPORTING DELEGATE: Well, anyway I would like to have a clarification.

CHAIRMAN: Will some members of the Committee clarify this point? I hesitate to do it myself.

DELEGATE FROM HONDURAS: As far as I can ascertain it is the obligation of the buyer to pay in gold. Where the option rests, the option is not with the seller but the buyer.

DELEGATE FROM POLAND: It seems to me that the wording as it stands here may certainly have the effect which the delegate from France has put forth. That is, the member shall buy the balances, to the extent that it may be exchange from the third country. It has the right to buy from that currency at any time and consequently subject to our currency. It is in conflict with the whole program.

MR. BROWN, UNITED STATES: I would like to introduce Mr. Bernstein who will speak.
MR. BERNSTEIN: Mr. Chairman, the provision of Section 6 must be read with all its qualifications. In the first instance it states that a member country holding the balances of currency of another currency may sell such balances under certain conditions specified in that first country, and in return for such balances it will be paid its own currency, or if the buying country prefers it will be paid in gold. What Dr. \textit{Ron} states \textit{would} be true that a country holding no currency of the selling country would have to pay in gold if it were compelled at that stage to continue to buy that currency and had no other source of getting the other member's currency. Presumably it has access to the Fund and can get the currency in that way. If it has no access to the Fund, if the buying country does not have access to the Fund, the obligation in this form \textit{would} be, that is the intention, it seems to me, of the following a, b, c, d, which states, "nor shall it apply to a member which has ceased to be entitled to buy currencies of other members from the Fund in exchange for its own currency." That is with the way the obligation in regard to the balances specified in the first paragraph with the other members' currency may lapse, if the country that is doing the buying cannot press the need of currency from the Fund.

REPRESENTATIVE FROM THE FRENCH COMMITTEE: I just want to mention that my understanding is exactly the same as Mr. Bernstein's and as some have not understood it correctly and as you have not understood it, it may be better if the country has the right to sell exchange to that country from the exchange from the third country - from the second country. The reason why it has not the right to buy from that country is because several countries object to our currency. So if it was not possible to put a clause stating that the Fund is to buy the currency of the third country but the second country, it is necessary to devise a clause which looks rather complicated explaining the conditions by which the transactions can take place.
Chairman: Is there further discussion of the viewpoints?

Delegate from Canada: I should like to ask a question of qualification. Is it the intention that the application of multilateral convertibility of currency has a general application, or is one which lapses when the country has used up its quota?

Chairman: Can Mr. Bernstein answer that question?

Mr. Bernstein: I gather that Mr. Rasinsky is not inquiring as to what I like but as to what the provision states. The provision states that the application in this form lapses. Mr. Robertson has asked us to postpone the discussion of the section reading "nothing in this section shall be deemed to modify or affect the obligation of a member under 9-(2) and (3) of the joint statement." I think the question that Mr. Rasinsky has asked is the reconciliation of this provision with other obligations of member countries as stated in that article of the joint statement. As the document reads it is intended in effect to terminate the obligations of a country to sell, to buy, its own currency from other countries in the form stated here. I can see no great advantage in going into a long and detailed discussion of that point. If a country's access to the fund has ceased — if it has inadequate resources in its judgment to maintain this type of repurchase — that is until we have had some opportunity to discuss 9-(2) and (3) of the joint statement in the latter provisions of this document.
Delegate from Germany

Chairman: May I state what I gather from this discussion—namely, that alternative A is acceptable to the committee down to and including A. With respect to D it is suggested that it be referred to our committee with the suggestion that the words "as a result in dealing in legal language" be replaced by the words "contrary to" and that the last clause of that paragraph following the paragraph No. D, that our consideration of that should be deferred until consideration has been given to the later paragraph dealing with the later section dealing with the multilateral application and consideration of the final sentence should be deferred until consideration has been given to 9-(2) and (3).

Delegate from

I do feel that it might be a very queer situation if the committee were to approve down to the end of (b) and to defer the two following lines because they do really govern the whole of the sentence. They are an integral part of which many people would not be willing to accept the rest of the section and then be quite clear that the last two lines, the two lines after D, were an integral part of the whole story whereas my suggestion for deferrment was a tightening-up that relation was to be made between this section and article 9. I think this further suggestion of deferring these two lines is a dangerous one because it means a complete gap of the whole provision and makes nonsense of the whole section. I hope the delegation would not press these lines to be deferred.
Delegate from Canada:

I agree there is a great deal of substance in last clause we have referred to in that it could not what Mr. Robinson has said. On the other hand this is fully discussed without discussing the substance the coming decision of this whole plan and --- by of these later sections.

deferring consideration of this entire article until sections 9-(2) and (3) have been considered.

Mr. Bernstein:

Chairman: That would seem to be the logical Mr. Chairman, I regret that in the process of outcome of this discussion.

dividing the work with the hopes of equalizing somewhat divide the work with the hopes of equalizing somewhat Delegate from the tasks before the different committees, the secretary thought it might be helpful to give the committee that by Mr. Robinson. I think many members of this committee in consultation with the purpose at the same time the obligation would not be inclined to agree to clauses A, B, and C of that particular portion. In my opinion it is of the utmost unless the other provisions of this section would also importance that this provision "multilateral international be agreed to. clearing" be retained in this committee. In many Delegate from:

A question of order - Is it intended that this document depend upon the proper understanding of this point - this last sentence - should be left to another section and my suggestion would be that the secretary committee of this new committee arrange with the secretary of Chairman: No, I understood the suggestion to be the commission some proper assignment of the sections merely that we should defer our discussion until article 9 of that which are concerned with multilateral it would be discussed in connection with this latter clearing - perhaps arranging to have them transferred clause, for consideration by this committee.

Delegate from:

Chairman: Is that suggestion acceptable to the This committee would discuss then article 9? committee? Hearing no objection, I take it that it is. Chairman: There perhaps the difficult has arisen. Is it then further acceptable to the committee we refer There are articles 9-(2) and 9-(3) which do not come any further discussion under section 8 until it can under this committee. They come under Committee 1, be discussed in the light of the later sections which we However, in two or three instances these cross-references hope can be brought before you,

which are difficult to deal with - Is it the wish of the committee that we defer consideration of the whole section to Committee 1 and Committee 1 deal with it or shall we draw attention to the Commission --
Delegate from United States: Mr. Chairman, I suggest that discussion of alternatives in the absence of alternative A or defer discussion relating to this part.

Chairman: Is that suggestion acceptable to the committee? Hearing no objections, I take it that it is.

Delegate from United States: Mr. Chairman, I introduce Mr. Bernstein.

Chairman: Is there any support to that suggestion?

Mr. Bernstein: May I take it then that the other suggestion we tried to arrange for the transfer of this consideration for the dividing the work with the hope of equalizing somewhat consideration of this committee should be — we should the tasks before the different committees, the secretariat and arrange that transfer of this clause in section 7 thought it might be helpful to give the committee that a whole could be considered here and that provision is confronted with purpose at the same time the obligation discussion until we can take them both together. There of member countries. In my opinion it is of the utmost being no objection, I take that to be the view of the importance that this provision "multilateral international clearing" be retained in this committee. In many member country decisions are obtained directly or indirectly respects the whole of the operations sections, this document depends upon the proper understanding of this provided it can do so with equal advantage to secure section and my suggestion would be that the secretary the currency by sale of gold to the Fund. (read) of this committee arrange with the secretary of he is proposed to replace that by section 7 leading the Commission for a proper assignment of the sections acquisition by Members of the Currency of Other Members of article 9 that are concerned with multilateral clearing — perhaps arranging to have them transferred marked as I in which there are changes of words rather for consideration by this committee.

Chairman: Is that suggestion acceptable to the committee? Hearing no objections, I take it that it is. Hearing none, I take that as the view of the committee. Is it then further acceptable to the committee we defer section 7 of the joint statement which I note there has any further discussion of section 5 until it can be discussed in the light of the later sections which we discuss. The alternative A is to be submitted later, hope can be brought before you.
Delegate from United States:

Mr. Chairman, I suggest that discussion of alternatives
B, C and D be postponed until alternative A is submitted, which the United States expects to do shortly. It has been the subject of some discussion among the experts. It is absolutely impossible to understand B, C or D except in connection with alternative A, which I regret is not here but which, I thought of great service to this discussion.

Chairman: That would seem to me to be the procedure which we should adopt. Is there any objection? If not, we will pass on to page 12 of the document in which there is a suggestion for an additional section to article 3. Alternative A, section 9, transferability, etc. (reads the section) Is there any discussion of this proposal?

Delegate from unfortunately, have no central bank, the United States being one nation of three, our financial institutions are not under government control. Mr. Brown?

Mr. Brown: Section A - All assets of the fund shall, to the extent etc. (reads the section) seems to me to go with the general article which deals with the operation of the fund. It might be contended that it is covered by later sections regarding immunities of the fund. Obviously, if the currency required by the fund cannot be used to carry out current transactions - to carry out the operation prescribed by this agreement - which altogether relate to current payments. - Unless that currency is free from any special restrictions or regulations or control by any members, the fund won't work. That is the reason for the insertion of C.

Mr. Brown: Obviously, Mr. Chairman, if the currency is purchased from the fund and it is put in by the member nation that the restrictions dealing with article 10
B is to the same general effect. As restated current account obligations can be settled in currency purchased from the fund and it is intended to apply either before or after suspension or withdrawal. Otherwise members who of the fund would have a credit balance would be unable to use the currency of the nations having an overdraft on the fund in the event of any trouble. Section C reads (reads section C) The earlier section of the - to keep the currency of each member in the central bank of that country if it has one or with the Treasury or some similar financial institution designated by the member country.

It was explained that some nations fortunately or unfortunately, have no central bank, the United States being one of them. In many cases the central banks or other depositories are not under government control but if a nation designates a corporation within its limits as a depository, a bank, If no option to keep this money in such bank so designated, it seems to me obvious that the nation guaranteeing the bank should guarantee the solvency in which the funds of that country are held.

Delegate from France: thin the degree of the extra-

May I ask clarification of a vital point? Does section B apply also during the transition period.

Chairman: Any member answer the French delegate's which is, as question I understand - whether B as proposed here would apply during the transition period when a member has established a closer exchange control?

Mr. Brown: Obviously, Mr. Chairman, if the currency is purchased from the fund and it is put in by the member nation then the restrictions dealing with article 10
dealing with the transition period that my currency is
got to be used during the transition period. I don't
know that I quite understand Mr. Istel's question?
Delegate from France:

My question was whether if a country has established
the full exchange control during the transition period
is not the amount intent I think the draft wants not
whether it is bound to satisfy the needs of my country.
It naturally has to consider whatever regulations
which has purchased its currency from the funds in the
requirements of a current nature.

Mr. Brown: It would seem to me obvious that the
answer is "yes".

Mr. Istel - Delegate from France:

section A as the gentleman from Norway stated, should be referred to the asterisk committee
All right - I just wanted to understand it fully.
Delegate from Norway:

It seems to me that there is a difference between
Delegate from France:

A on the one hand and B and C on the other hand. A
seems to me to refer to the extraterritorial right of
rights expressed in this currency. For instance, if
the fund and that amendment to A is that a member
currency was expressed in gold. I suppose it
government in signing the convention for establishing
and entering into membership of the fund will undertake
to secure by proper national legislation or by examination
way I ask Mr. Brown to answer Mr. Istel. Mr. Brown,
of existing legislation within the degree of the extra-
we are perfectly willing that it be referred to the
territorial assets provided for in A. If that is really
asterisk committee, as long as there is a question of
the case I think the wording of A should be altered.
difference of meaning is should be discussed.
Delegate from Poland:

Mr. Brown: I think it was intended when section

I think the same thing in regard to A. I don't
think I have the same position with B or C but with
asterisk committee. That was really the intention in the
drafting of B. The reason is that the drafters
accredited representative of one country, for example,
this provision had great difficulty in making clear
will, may be said to be free from restrictions.
their purpose. We also had great difficulty in finding
That is to say, he may move about - He has certain
the technique for achieving their purpose. Provision
rights but he is still subject to one restriction -
that is, he has to carry a document to show who he is.
The same thing is true in a country maintaining exchange control. It makes exchange control impossible. Anyone can come along and say "This is currency belonging to the Fund" and "I am free from restrictions." That obviously is not the atomic intent I think the draft wants put out. It naturally has to confirm whatever regulations there are to show intent, but having done that, that money should then be free to leave the country. I think that is all that is intended. I think that section A, as the gentleman from Norway stated, should be referred to the Asterisk Committee for improvement in drafting.

Chairman: Is there any further comment?

Delegate from France:

A further question, Mr. Chairman. I suppose 3 B reads "expressed in this currency". For instance, if the currency was expressed in gold, I suppose it applies - - - - - -

Chairman:

May I ask Mr. Brown to answer Mr. Iatell? Mr. Brown, we are perfectly willing that it be referred to the Asterisk Committee, as long as there is a question of difference of meaning it should be discussed.

Bernstein:

Mr. Brown: I think it was intended when section 9 B was provided that it should be referred to the Asterisk Committee - That was really the intention in the drafting of 9 B. The reason is that the drafters of this provision had great difficulty in making clear their purpose. We also had great difficulty in finding the technique for achieving their purpose. Provision
It is intended to cover cases of this sort. In the first instance in some countries it is quite conceivable that all international transactions will take place in a currency other than their own. This may be true of state trading companies; it may be true of countries whose own currencies have very limited use in international transactions. If in those instances a country desired should have a favorable balance of payments on current account it would be difficult if not impossible that a passive fund should utilize the subscription of that country for the purposes of the fund. That is in line with financing a favorable current balance than that of a country. The answer, therefore, to Mr. Istel's is this -

This provision is intended to assure the fund that the resources subscribed by member countries are all usable for the purposes of the fund in practice. Exchange regulations are not in any way involved though they may be. That these resources are useful in practice and consequently as stated an obligation to, say France, next the Government of France, is this instance, by the Government of another country, however that nation's obligation is expressed, would be dischargeable if it were a current account obligation by a tendering of French francs which were sold by the Fund for that purpose. It is not intended, of course, to cover noncurrent account transactions since the fund is not designed for this other purpose. Mexico. Is it the wish of the committee to discuss this now or do they wish further time for consideration of it. In other words, have they had ample time to read the alternative.
Delegate from Canada: I would like to inform the

On the very last point mentioned by Sir Bernstein, to the extent that the fund does sell foreign exchange for current account transactions, I would take it that currency purchased by the fund would also be good — and I suggest that question which is related to section 2-A which was discussed yesterday should also be considered by the asterisk Committee.

Mr. Bernstein: Corrected that since the broadening of that concept.

Chairman: We are told that it was the intention of Alternative A that it be resubmitted to another committee on the matter of wording. I take it the committee is willing to do that. Before we do so, are there any other views on matters of substance, if any — we will submit this section to our asterisk committee — what is needed there is not merely verbal change but clarification of the real substance of the section. Before passing on to the next page, there are two matters which I might properly take up. They are in the Agenda but they escaped my attention. Since yesterday there have been two alternatives proposed to earlier clauses in this document. The first was circulated in this morning’s distribution is an Alternative B to section 2 of the joint document, or rather an addition to that section which I believe was put forward by the delegation from Mexico. Is it the wish of the committee to discuss this now or do they wish further time for consideration of it. In other words, have they had ample time to read the alternative.
Delegate from Brazil: I would like to inform the committee that the Brazilian delegation has submitted an alternative draft of section 3, number 6 and 7 which however is consequential to an earlier change to the second part of the draft of the joint statement.

Chaiman: That proposal I take it will be circulated?

Delegate from Brazil: I believe so, tomorrow.

Chaiman: Is there any objection to discussion now of this alternative 2 - page 6-D which was circulated this morning? My only reason for asking is in case members did not come prepared.

Delegate from Mexico:

Sir, before you invite discussion may I ask whether the work of this proposed addition is in order. It talks about a silver holding - does that mean the silver-holding country?

Chairman: I would see no objection to the proposal.

Delegate from Mexico:

In reply to the answer by Sir? we mean by silver holding country a country which has more silver count in circulation - more silver accounts than token accounts and which would be used for hoarding purposes in that particular country.

Chairman: If there is no objection I take it we may discuss this alternative E as proposed by the delegate from Mexico.

Delegate from Mexico:

I would like to have this reported - what is meant by silver hoarding country?
Delegate from Mexico:

Mr. Chairman, we mean - the delegation means by that - it is often used "silver using nation" - In other words the nation that uses silver for its normal trade purposes. Now, we want to make a distinction of a country which normally uses silver as token money and a country which uses silver also for saving or hoarding. I don't know whether I have made myself clear.

Delegate from France:

I understand that the question of silver used for monetary purposes would be dealt with by Commission 3. Would it be proper to refer it to Commission 3?

Delegate from Mexico:

This is a subject that the Mexican delegation deems it proper to deal with the fund - It is credit for silver count.

Chairman: I would see no objection to the proposal that facilities of the fund be provided for countries which use silver in a certain way. It is related to the operations of the fund. It may be a proper proposal or it may be an undesirable proposal but it seems to me that it refers to the fund and its operations before this committee. I am open for a discussion of this proposal.

Delegate from Mexico: Mr. Chairman, on behalf of the Mexican delegation I want to explain why we make this proposal. It is easy to misunderstand our position. Mexico produces 40% of all the silver, therefore one might think Mexico is interested, above all, in furthering the interests of her mining industry. However, we do not come before this committee as the largest
users of silver. Certainly no one can believe that
the gold-producing nations here represented are here
to further their own interests. Rather, we are here
to present our common monetary problems and to seek an
agreement on how to meet them in the brotherly spirit of
cooperation. We wish to emphasize, therefore, that
Mexico wants to present for your consideration a strictly
monetary problem. We believe that this problem has
international implications, undoubtedly small in
economic significance for the world as a whole but
certainly large and vital for some members of the
community of nations. Furthermore, we are certain
that this problem has never received the unprejudiced
consideration it deserves by the nations which do not
have to face the same conditions. Mexico's problem
arises from the fact that her people continue to
hoard large amounts of silver coins. They, of course,
have been doing that for centuries. They know not as
yet any of the great advantages of savings banks and
fiduciary currencies nor do they seem to be very
anxious to learn about it. What they know is to hoard
silver and nothing else—probably because their
ancestors have done so and certainly because their
personal income does not permit them to hoard gold.
Because of these facts, Mexico absorbs large quantities
of silver coin when their income is increasing and
return them to the central bank when they have to draw
on their holdings. This means large scale banks have
to invest heavily in silver coins during the upward
trend of a cycle. On the other hand the bank is
compelled to get silver in foreign markets during the
downward swing when silver is cheaper. Thus each
a silver-producing country is running with which to
central bank loses not only the difference between buying and selling prices but also because the cost of melting. Therefore, because of the hoarding requirements of our people Mexico has to invest in silver a large part of her international gold and gold converting currencies. (Speech read)

(Assistant secretary nodded to continue at this point)

since there is no manner in which she can go ahead against the fluctuation of silver. This is the essence of Mexico's plea. Is it not true that many other nations partake of this same risk? Is it too much to expect that the fund extend credit facilities especially adapted to meet this special thing? It might be said that the fund, under the proposed provisions, has already authorized to waive all specific conditions set forth under article 3, section 2 of the draft proposal in order to meet exceptional cases but Mexico's case is not exceptional. Her problem is, we believe, common to several countries and it is recurrent in character. Should not the fact which is essentially an instrument for international cooperation be authorized specifically to --- that her silver counts - specifically Mexico is proposing that the fund shall extend credit to those nations for her silver over and above the normal credit extended by the fund to all other nations - Mexico therefore proposes that the silver hoarded by the nationals --- henceforth Mexico and any country in her position would not be required to buy and recin silver only to melt and sell it again.

Instead of that wasteful and unnecessary purpose whenever a silver-hoarding country is running with which to
maintain the parity of its monetary unity. The fund would --- due to fluctuation in the price of silver will remain with the borrowing country. The Mexican delegation feels certain that this proposal will be supported by many delegates inasmuch as the amount of the fund’s resources needed for the purpose will be relatively small and adequately safeguarded and above all the approval of Mexico’s proposal will be an act of elemental international justice.

Chairman: Is there any further comment?

Delegate from Peru: I make second the motion of the delegate from Mexico.

Chairman: Is there discussion on this proposal?

Delegate from India:

Might I ask, Mr. Chairman, exactly how the hoardings of a country are to be determined? We, in India, of course have silver hoarders but we would never be in a position to determine the exact size of those hoards at any time and I don’t quite understand how one could offer them as collateral for any purpose.

Delegate from Mexico: under

It is, of course understood, that another article of the draft that the funds shall deal only what through the central bank therefore **this** is meant by the phrase the delegate from India is referring to we mean naturally that the silver funds offered by the bank to the fund as collateral guarantee.

Chairman: We have now reached the hour to adjourn. As the proposal has not been before the committee with a great deal of notice we perhaps might defer the remainder of the discussion until **our next meeting.**

I would like to draw attention **in**
committee to another proposal which was circulated at the beginning of this meeting and which I did not refer to at the outset. It is circulated on this small sheet by the Netherland delegation and is marked Alternative E which we will place on our Agenda for the next meeting. It is a substitute of Alternative A, Article 3, section 2, paragraph 3.

Delegate from France:

I suggest that this amendment be for the discussion of the appropriate committee which the chairman designates for discussing them.

Chairman: Is that an acceptable proposal that this new draft be referred to the ad hoc committee which by has been referred back to the commission - We shall do that.

Meeting adjourned at 7:00 P.M.