

COMMITTEE 2 of COMMISSION I

5:30 P.M., July 5, 1944

Part 1.

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.

~~The question is now referred to the French Committee~~
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

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pass over it now to permit those informal discussions and then
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 state-
ment 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 what of any action of the Committee and I would
suggest that the reporter might amend his report in the sense of
Mr. Rasminsky's remark and I know Mr. Rasminsky 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 for 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. 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 from the Country B, the Country B must accept its own currency in payment of current transactions, but this 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, may buy them for the currency of another country or its option for gold but it is still committed to buy the balances so that if it has no currency of another country it is obligatory to pay in gold which 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. *Went* states, 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 members' currency. Presumably it has access to the Fund and ^{can} get the currency in that ^{way} ~~form~~. If it has no access to the Fund, if the buying country does not have access to the Fund, the obligation in this form *promises*, That is the intention, it seems to me, of paragraph 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 the way the obligation ^{with} ^{to} ~~in~~ regard the balances specified in the first paragraph with the other members' currency may lapse, if the country that is doing the buying cannot ^{secure} ^{needed} ~~prove~~ 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.

Committee 2 of Commission 1.

Chairman: July 5, 1944 - Part 2.

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 - 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. Rasminsky 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. Rasminsky has asked is the reconciliation of this provision with other obligations of member countries as stated in that article of the joint statement, but as the document reads it is intended in effect to terminate the obligations of a country to sell - to buy, I mean - 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 later provisions of this document.

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Delegate from Canada:
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 ~~material~~ asterisk 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)~~ (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 ~~with~~ 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:

understanding of the difficulty with respect to the last clause we have referred to is that it could not what Mr. Robinson has said. On the other hand this is be 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

Mr. Brown, delegate of U. S. introduces Mr. Bernstein. sections 9-(2) and (3) have been considered.

Mr. Bernstein:

Chairman: That ~~would~~ would seem to be the logical

Mr. Chairman, I regret that in the process of outcome of this discussion.

dividing the work with the hope of equalizing somewhat

Delegate from

the tasks before the different committees, the secretariat

Mr. Chairman, I want to emphasize the point raised thought it might be helpful to give the committee that

by Mr. Robinson. I think many members of this committee is confronted with purpose at the same time the obligation would not be inclined to agree to clauses A, B. and C of member countries. 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:

respects the whole of the operations sections, this

A ~~xxx~~ question of order - Is it intended that this document depends 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 ~~xxxx~~ 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 of article 9 that 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 objections, I take it that it is.

Chairman: There perhaps the difficult has arisen.

Is it then further acceptable to the committee we defer There are articles 9-(2) and 9-(3) which do not come

any further discussion ~~xxxx~~ of section 6 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-- My

Delegate from [unclear] will [unclear] A is
understanding of the difficulty with respect to the
In an alternative possibility that
last clause we have referred to is that it could not
a joint session of this committee and No. 2 committee
be fully discussed without discussing the substance
which I understand has an overwhelming amount of material
of these later sections.

Mr. Brown, delegate of U. S. introduces Mr. Bernstein.

Mr. Bernstein:

May I take it then that the other suggestion we tried to
Mr. Chairman, I regret that in the process of
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
try and arrange that transfer of this clause in section
thought it might be helpful to give the committee that
I think ^{should} be considered here and that ^{provision on}
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
committee. As to section 6 of the joint statement, a
clearing" be retained in this committee. In many
member country desiring to obtain directly or indirectly
respects the whole of the operations sections, this
current of a member country for gold, is adopted
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. (reads)
of this ~~XXXX~~ committee arrange with the secretary of
it is proposed to replace that by section 7 headed
the Commission some proper assignment of the sections
Acquisition by Members of the Currency of Other Members
of article 9 that are concerned with multilateral
for ~~XXXX~~ Gold. (Reads that section) Section is
clearing - perhaps arranging to have them transferred
marked as 1 in which there are changes of words rather
for consideration by this committee.

Chairman: Is that suggestion acceptable to the
current. May I take it the committee is agreed in
committee? Hearing no objections, I take it that it is.
improving A. I take that is 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 ~~xxxx~~ of section 6 until it can
be an alternative B, C and D as proposed to certain
be discussed in the light of the later sections which we
clauses. The alternative A is to be submitted later.
hope can be brought before you.

Is it the wish of the committee to discuss these other
alternatives in the absence of alternative A or defer
discussion relating to this part?

Delegate from United States:

Mr. Chairman, I suggest that discussion of alternatives

Delegate from postponed until alternative A is

In an alternative ~~possibility~~ possibility that a joint session of this committee and No. 1 committee which I understand has an overwhelming amount of material at the moment would take place tomorrow morning.

Chairman: Is there any support to that suggestion? May I take it then that the other suggestion we tried to arrange for the transfer of this consideration for the consideration of this committee should be - we should try and arrange that transfer of this clause in section 9 which should be considered here and that we defer discussion until we can take them both together. There being no objection I take that to be the view of the committee. As to section 6 of the joint statement, a member country desiring to obtain directly or indirectly currency of a member country for gold, is accepted provided it can do so with equal advantage to secure the currency by sale of gold to the fund. (reads) It is proposed to replace that by section 7 headed Acquisition by Members of the Currency of Other Members for ~~Gold~~ Gold. (Reads that section) Section is marked as 1 in which there are changes of words rather than substance. Are there any comments? There is no comment. May I take it the committee is agreed in improving A. I take that is the view of the committee. Section 7 of the joint statement which I note there has been an alternative B, C and D as proposed to certain clauses. The alternative A is to be submitted later. Is it the wish of the committee to discuss these other alternatives in the absence of alternative A or defer discussion relating to this part?

Delegate from United States:

Mr. Chairman, I suggest that discussion of alternatives

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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 is 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

I would like someone to explain it, Mr. Chairman.

Chairman: Do you volunteer to explain the proposal Mr. Brown?

Mr. Brown: Section A - All assets of the fund shall, to the extent etc. (reads the section) seems to me to ~~xxx~~ 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 then 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 of the fund/^{who}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 article provides that the funds shall actually ^{- to keep} ~~be kept~~ 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~~ 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: ~~this the degree of the extra-~~

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

-- -- -- --. from Poland:

Chairman: Any member answer the French delegate's which is, as questionx /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 any 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 whether it is bound to satisfy the needs of any country 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:

All right - I just wanted to understand it fully.

Delegate from Norway:

It seems to me that there is a difference between

A on the one hand and B and C on the other hand. A seems to me to refer to the extraterritorial right of the fund and that amendment to A is that a member 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 of existing legislation within the degree of the extra-territorial assets provided for in A. If that is really the case I think the wording of A should be altered.

Delegate from Poland:

I think the same thing in regard to A. I don't think I have the same position with B or C but with regard to A the wording seems to be unfortunate. The accredited representative of one country, for example, this provision had great difficulty in making clear to another, may be said to be free from restrictions. That is to say, he may move about - He has certain 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 ~~intention~~ 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~~ 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 § 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. Istel? 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. ^{Key} We also had great difficulty in finding the technique for achieving their purpose. Provision

B 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 transaction. If in those instances a country should have a favorable balance of payments on current account it would be difficult if not impossible that a passive fund ~~should~~ ^{should} utilize the subscription of that country for the purposes of the fund, That is in financing a favorable current balance ~~that~~ ^{with} that country. The answer, therefore, to Mr. Istel's ^{question} 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 ^{need be} are not in any way involved though they may be. That ^{to be} these resources are useful in practice and consequently as stated, an obligation to, say France, ~~the Government of France, in this instance,~~ ^{next} by the Government of another country, however that obligation is expressed, would be dischargeable if it were a current account obligation by a tendering of ~~francs~~ francs which were sold by the fund for that ~~purpose.~~ purpose. It is not intended, of course, to cover noncurrent account transactions since the fund is not designed for this other purpose. ~~Is it~~ ^{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 ^{Mr.} Sir Bernatein, 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. I believe so, tomorrow.

Mr. Bernstein:

Chairman: That was a slip on my part. We have 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~~ Before we do so, are there any other views on matters of substance, if any - We will commit 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 E 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 5, 6 and 7 that - it is often used "silver holding nation" which however is consequential to an earlier change to the other words the nation that uses silver for its second part of the draft of the joint statement.

Chairman: That proposal I take it will be distinction of a country which normally uses silver circulated?

Delegate from Brazil: I believe so, tomorrow.

Chairman: 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

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?

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

I would like to have this reported - What is meant by silver-hoarding country?

would Mexico be 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
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:

~~CHAIRMAN~~ 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 operation
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 further-
ing 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 counts. 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 count 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 counts 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

central bank ~~xxxxxx~~ 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)

above all the approval of Mexico's proposal will be since there is no manner in which she can go ahead against the fluctuation of silver. This is the essence of Mexico's ~~xxxx~~ 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 ~~xxxxxxxxxxxxxx~~ 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 recoin 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.

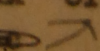
Chairman: Is there discussion on this proposal?

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:

It is, of course understood, that ^{under} 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.} ~~xxxxx~~ of the I would like to draw attention ~~in these~~ 

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 has been referred back to the commission ^{by} - We shall do that.

Meeting adjourned at 7:00 P.M.