

General Meeting June 22, 1944

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Razminsky - III-5 in flimsy and in Joint Statement is ambiguous. Main question which arose was why not sell currency directly to the Fund. American argument was that would interfere with the passivity of the Fund. Some discussion of possible domestic monetary effects - Central Bank would have notice of loss of gold.

Why "requested" = later provision?

Remove "of a current account nature" - implies at present that applies to capital transactions.

White - III-5 means a country might regard sales of peso for some other currency as capital transaction -- in practice will be left free unless large or sustained.

De Iongh - Suppose country has gold but no quota -- then a member is not entitled to ask for its currency. White - if obliged to use gold to maintain rates -- Gardner says then IX-2 carries beyond III-5.

Bulhoes -

Committee 1

White - Second formulation suggested by Bulhoes has two conflicting criteria - needs and quotas.

Mossé - Says Russia and France will have more gold in Bulhoes formulation than in "four countries". Objects to dividing countries into two groups.

Bulhoes - Prefers original statement for flexibility but dislikes reference to quotas.

Goldenweiser says prefers general statement.

White - Suggests saying gold shall be held in every member country and then go on to 1/2 in the U. S.

Mossé and Istel say don't like idea of gold in all countries.

Sayrnov - insists gold should be held in four principal countries.

Bulhoes - Russians proposed "about" one-half. Goldenweiser points out can't go above.

On what basis is
Dreibelbis denied the
right to sit at the table?

- Basch - Does this apply to gold holdings as the Fund functions?
Yes, says White. Basch prefers "at least".
- Gregory - Wondered if meant pay in subscription in notes -- or deposits --
to a foreign depository?
- On Russian desire for 50-75 per cent reduction depending on
state of damage.
- Gregory asks why provision suggested -- country much damaged
may have lots of gold.
- Istel - Says need gold for reconstruction.
- White - If paying \$100 million - but then 75 as occupied - then want
to reduce to 50. The 25 million is small to that country.
If put in Fund can still use. Question as between putting
in 7-1/2 per cent or 5 per cent of their gold holdings.
Goldenweiser - emphasizes Fund's need of gold and possible
greater strength.
- Opie - Mentions indebtedness arising out of war as much more important
to damaged country.
- Istel - Should perhaps be able to deduct gold which will have to be
expended right away.
- Opie - Many other reasons for reducing gold contribution. Reason
here is compassion.
- Smyrnov - General principle of concession and general principle of
degree of concession depending on degree of damage.
- Istel - Why not figure how much gold needed for reconstruction is the
problem. Would have Fund estimate.
- Opie - Reasoning behind this proposal is confused. Fund not meant
to concern itself with long-term reconstruction or transitional
reconstruction needs.
- Tsiang - Sympathy - but material advantage to China not great enough
to justify difficulty.
- Gregory - Problem of defining war damage -
Question of exploitation and foreign exchange position.
- Opie - Objects to deleting consultation in I-1. Bulhoes defends
desire to emphasis. Opie says instrument determined will be
on international convention. No need of restating purpose
now - joint statement to guide the conference.

White says just discussing.

Bulhoes - Mentions changing Purposes 6 to Purpose 4.

Basch - Points out that exchange stability was first purpose on July 10 - now making it 5.
Plumptre says question of separating objectives and means to objectives.

Bulhoes - Wants a purpose referring to the Bank - showing strict limits on Fund - temporary difficulties.
White suggests he draft it.

Monteros - Thinks a good idea go to Bank for long-term credits -
Fund recommend Bank give prompt consideration.

Committee 2

Multilateral clearing

On IX-4 as proposed in flimsy - question of existing non-discrimination treaties. According to Joint Statement seemed to let country out of past agreements - VI-2 and X-2.

Rasminsky seems to claim that Fund should relieve countries of past treaty obligations. Laxford says adherence to Fund can't abrogate past treaties. Collado says the flimsy was implicit in the Joint Statement. Fund can't relieve a country of past commitments.

In practice - not too difficult problem - rule of reason. Fund can't permit all types of discrimination. Existing treaties have flexible features. Scarce currency authorization shouldn't destroy work of years.

White - Tries to say discrimination = unreasonable rationing.

Collado - "Complete jurisdiction" not taken away by treaties made voluntarily.

Rasminsky - unconditional most favored nation clause would mean that country has no rights under VI-2.

White - Had same problem without Fund.

- Rasminsky - But usually claims were not pressed.
- Collado - If have treaty allowing reasonable necessary practices - don't want to abrogate it here.
- Rasminsky - If refuse to provide exchange for U. S. automobiles but buys them in France - that is discrimination and violates commercial treaties. U. S. might decide not to assert its rights - sufferance.
- Collado - A few treaties could be interpreted as violated - many could not. Two countries may get together and waive.
- Monteros - Might need world court. No intention here to make Fund into such a court. Fund has no jurisdiction on other treaties and agreements.
- Brigden - Inappropriate in this document - should be dealt with by commercial policy people.
- Rasminsky - Flimsy submitted on IX-3. Some thought some multiple currency practices might be approved.

Chairman wants current vs. capital transactions defined.

Might want positive authorization for controls over capital transactions - might insert at beginning of V.