

AMT-991

PLAIN

Rio de Janeiro

Dated June 26, 1944

Rec'd 5:45 p.m.

Secretary of State,
Washington.

2316, Twenty-sixth.

Because of plane delay, Brazilian delegation to Monetary Conference left Rio 6 a.m. June 26 and will take plane for Washington leaving Miami 9 a.m. June 29.

Please arrange necessary reservations on special train and at Hotel Bretton Woods for Ivan White who is accompanying Brazilian delegation.

CAPFERY

WTD
E.JH



From: Rio de Janeiro
Date: June 26, 1944
Rec'd: June 30 p.m.

Secretary of State,
Washington, D.C.

A-1189, June 26, 1944, 10:45 a.m.

Dr. Arthur de Souza Costa, Minister of Finance and Chief of the Brazilian delegation to the Monetary Conference, left today for the United States, allowing for three weeks at the Conference and two weeks between Washington and New York. He will call upon the Secretary and Under Secretary and will probably request an appointment with President Roosevelt.

During the week preceding his departure for the United States, the Minister conferred with President Vargas and his cabinet colleagues on matters to be discussed with the authorities in Washington following the Monetary Conference. As for the Conference, he has been instructed to take parallel action with the United States delegation whenever possible and practical.

Souza Costa has informed my Economic Counselor that President Vargas has instructed him to take up with the Department and authorities indicated by the Department the following matters:

1. UNRRA.- Brazil's participation in UNRRA, including textiles, coffee, cocoa, cotton, etc. The Minister will point out that to facilitate the increased production of these commodities, Brazil will need additional quantities of fuel oil, trucks and tractors. (Embassy's despatch No. 16530 of June 22, 1944).

2. Procurement of fuel oil, trucks and tractors for the expansion of production of agricultural commodities in the State of Rio de Janeiro, Sao Paulo and Rio Grande do Sul. The tractors would be purchased and imported by the Carteira Agricola e Industrial of the Bank of Brazil for distribution among farmers.

The Minister is taking with him to the United States a new agricultural development program. President Vargas has instructed him to discuss the plan with the Brazilian Minister of Agriculture presently in the United States and later with the authorities of our Government.

3. Contracts with shipbuilding yards for the construction of twenty G-3 vessels for the Lloyd Brasileiro (Embassy's 1648, May 4, 1 p.m., and Department's 1564, May 19, midnight).

4. Petroleum legislation. The Minister stated that President Vargas has authorized him to exchange views with our Government and private companies regarding plans for the development of Brazil's petroleum resources, except the Bahia area, which will be reserved by the Government. The Minister added that President Vargas is prepared to promulgate legislation to make it possible for private companies to operate here and that he has authority to receive proposals from private interests in the United States based, however, on some form of collaboration with private Brazilian interests.

The petroleum policy of the Brazilians has been thoroughly discussed at recent meetings attended by cabinet officers, including the Ministers of Foreign

Affairs and Finance and the President of the National Petroleum Council. It was finally agreed that the present policy with respect to the development of petroleum resources and operation of refineries was too restrictive and that in the interests of the economy and defense of the country legislation should be adopted to permit and encourage experienced foreign companies to engage in the petroleum industry here. Souza Costa stated that the President of the National Petroleum Council has at least agreed to the change in policy, and stated that "he is 100 per cent in favor of a new and liberal petroleum policy".

I am today informing the resident representatives of the three American petroleum companies established here, namely, the Standard Oil Company of New Jersey the Texas Company and the Atlantic Refining Company that the Minister will be prepared to receive and study any proposals their parent companies in the United States may wish to submit to him.

In view of the importance of the conversations to take place in Washington, I suggested in my Airgram No. 1192, June 26, 12 noon, that the Department instruct Mr. Roderic Crandall, Petroleum Attache to the Embassy, to proceed to Washington for consultation. I believe that it would be very helpful to the Department and to Souza Costa to have Mr. Crandall present at the meetings.

5. Souza Costa may discuss with the Department and the Treasury Department the creation of a Central Bank in Brazil. He recently informed the Embassy that he intended to proceed with the organization of the bank after the Monetary Conference.

CAFFERY

Files 863.6/851
WJD:KF

eflcopy
7-3-44

Distributed to: Secretary (Mr. Bernstein); Mr. D.W. Bell (Mr. Dietrich);
Mr. White (Mr. Glasser-Orig.); Mr. Bernstein; Mr. Glasser.

From Mrs. Fontaine - Room 225

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF
COMMUNICATIONS
AND RECORDS

LC 962
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Rio de Janeiro

Dated June 22, 1944

Rec'd 8:10 p.m.

Secretary of State,

Washington.

2287, June 22, 7 p.m.

Doctor Gudín prefers to be quartered with other
members of Brazilian delegation at headquarters hotel.
Department's 1896, June 21, 7 p.m. He will attempt
to arrange other accommodations for his wife should
his condition of health become such as to require
her nursing attention at Bretton Woods. Otherwise
Mrs. Gudín will remain in Washington or New York
during conference period.

CAFFERY

BB-RR

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: Amembassy, Rio de Janeiro (Brazil)
DATED: June 21, 1944
NO.: 1902

CONFIDENTIAL

Although information is necessarily incomplete, there are indications that most countries are sending their ablest monetary and financial experts. A Finance Minister or officer of comparable rank is heading the majority of delegations.

The foregoing message is in reference to your June 9 cable, no. 2104.

HULL

ef:6-27-44
COPY

DEPARTMENT
OF
STATE

OUTGOING
TELEGRAM

DIVISION OF
COMMUNICATIONS
AND RECORDS

REMS
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
agency. (RESTRICTED)

June 21, 1944
7 p.m.

H. R. HARRIS

SECRETARY,

1896

As you know by Communications's circular telegram of

June 6, 5 p.m., space limitations preclude the accommodation
of wives and other family members in the headquarters hotel
of the Monetary conference. The Department therefore is
making reservations for Mr. and Mrs. Rudin (your 2198 of
June 16) at Crawford House, about three miles from the
headquarters hotel.

Crawford House is comfortable in every way. There
will be adequate transportation facilities to and from
headquarters. A number of other conference people will
also stay at Crawford House.

HULL
(RM)

WJ :JN

10 S/CR
(Cleared by phone
with Mr. Lehner)

FA

HMK-59

This telegram must be paraphrased before being communicated to anyone other than a Government Agency, (RESTRICTED)

Rio de Janeiro

Dated June 16, 1944

Rec'd 6:55 p.m.

Secretary of State,

Washington.

2198, June 16, 3 p.m.

- Minister of Finance states official Brazilian delegates to the Monetary conference will be:

One. Arthur de Souza Costa, Minister of Finance.

Two. Dr. Francisco Alves dos Santos Filho, Director of Exchange Bank of Brazil.

Three. Dr. Octavio Bulhoes, Chief of the division of Economic and Financial Studies, Ministry of Finance.

Four. Dr. Eugenio Gudin, member of Economic and Financial Council and of the Economic planning committee.

Five. Dr. Victor Azevedo Bastian, Director of Bancode Provincia do Rio Grande do Sul and close friend of Finance Minister.

Six. Senhor Valentim Boucas, member of the Commission to Control the Washington Agreements, who is now in the United States.

The first three named and Boucas have been in Washington on official business and are known to the Department and Treasury Department. Doctor Gudin is

one of Brazil's



-2- #2198, June 16, 3 p.m., from Rio de Janeiro
one of Brazil's outstanding economists. The Embassy
regards this delegation as an unusually outstanding one,
containing as it does Brazil's best-informed leaders in
the monetary and financial field.

Technical assistants to the foregoing will be:

One. Doctor Aguinaldo Boulitreau Fragoso, As-
sistant to the Minister of Foreign Affairs, will be
responsible for protocol matters and will serve as
technical assistant.

Two. Senhor Daniel Maximo, private secretary
to the Finance Minister.

With reference to my telegram No. 2179 June 15, 2pp.m.,
Finance Minister has requested Mrs. Gudin to accompany
her husband in view of his fragile state of health.
Accommodations listed my telegram under reference should
be modified in order to provide a double room for the
Gudins.

Please request State Department representative Miami
to assist Brazilian Consul there to obtain necessary
Pullman accommodations leaving Miami for Washington June
28 including compartments for Minister of Finance and
Mr. and Mrs. Gudin and lower berths for other persons.

CAFFERY

JT WTD

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF
COMMUNICATIONS
AND RECORDS

FBM-722

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Rio de Janeiro

Dated June 15, 1944

Rec'd 7:58 p.m.

Secretary of State,

Washington.

2179, June 15, 2 p.m.

Finance Minister Souza Costa informed the Embassy today that he would head Brazilian delegation to the United Nations monetary and financial conference. Referring to questions Department's circular telegram June 3, 6 p.m. he will be accompanied to the United States by staff of five persons whose names will be indicated later. In the United States delegation will be joined by Dr. Octavid Bulhoes and Valentim Boucas and two stenographers. Accommodations at Bretton Woods required for total of ten persons of whom two are female. Finance Minister has requested, in addition to living accommodations for his staff, two large rooms for offices and a reception room, the last to adjoin his private room.

Local delegation plans to leave Rio de Janeiro by plane June 25 arriving Miami June 27. They will proceed to

DEPARTMENT OF STATE

JUN 16 1944

AS

RDS

-2- #2179, June 15, 2 p.m., from Rio de Janeiro.

proceed to Washington by train on June 28 arriving the following day. The Finance Minister has requested information as to the date and hour when the special train will leave Washington for Bretton Woods.

CAFFERY.

JT
EDA

RECT-588

PLAIN

Rio de Janeiro

Dated June 12, 1944

Rec'd 6 p.m.

Secretary of State,
Washington.

2131, twelfth.

Dr. Octavio Bulhoes left Rio by plane June 10 for
Washington in accordance request Department's 1644,
May 27, 10 p.m. See my 2115, June 9, 9 p.m.

He will act as Brazil's technical expert on informal
committee as per Department's circulars of June 10, 6 p.m.,
and 7 p.m.

CAFFERY

LMS
WTD



PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro
TO: Secretary of State, Washington
DATE: June 9, 1944
NO.: 2104

CONFIDENTIAL

Following is in reference to Department's June 3 circular telegram.

My Economic Counselor was informed by Souza Costa, Finance Minister, that he hoped to attend International Monetary Conference and would discuss the matter with Foreign Minister and the President again.

The Embassy was requested by the Finance Minister to ascertain on a strictly confidential basis for purposes of assisting in these discussions, whether Finance Ministers or persons of comparable rank would head the other delegations. A prompt reply with respect to this would be appreciated.

CAFFERY

ef:copy
6-13-44

FMH-903
RESTRICTED

Rio de Janeiro
Dated June 9, 1944
Rec'd 9:25 p.m.

Secretary of State,
Washington.

2115, June 9, 9 p.m.

Please inform Treasury Department that Dr. Octavio Bulhoes is leaving by plane June 10 and should arrive Washington June 13. Department's 1644, May 27, 10 p.m. He asks that Treasury Department make hotel reservation covering period preliminary work in Washington.

No decision has been made regarding size or composition of Brazilian delegation but Department should contact Dr. Bulhoes concerning question of Bretton Woods accommodations mentioned in your circular telegram June 3, 6 p.m.

CAFFERY

REP WSB

af:copy
6-13-44

DSH-544

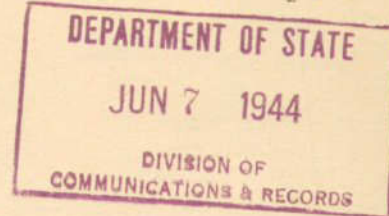
This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Rio de Janeiro

Dated June 5, 1944

Rec'd 9:21 p.m.

Secretary of State,
Washington.



2046, June 5, 6 p.m.

Finance Minister today informed me that Doctor Octavio Bulhoes has been designated to serve on preparatory committee. Bulhoes plans to leave Rio de Janeiro by air on June 9. He will also be appointed member of Brazilian delegation to conference. Department's 1644, May 27, 10 p.m.

The names of the other Brazilian delegates not yet known, however it is believed Brazil's representation will be small. Finance Minister will discuss plans with President Vargas on June 7.

Department's circular telegram dated June 3, 6 p.m.

CAFFERY

JMS
EJH

DEPARTMENT
OF
STATE



ms. White (ms. Bernstein)
INCOMING
TELEGRAM



DIVISION OF
COMMUNICATIONS
AND RECORDS

RECT-289

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Rio de Janeiro

Dated May 29, 1944

Rec'd 7:15 p.m.

Secretary of State,
Washington.



1949, May 29, 4 p.m.

FOR THE SECRETARY OF THE TREASURY.

The Minister of Finance will probably designate Bulhoes (Department's telegram 1644, May 27, 10 p.m.).

The Minister hopes to attend the conference beginning July 1.

CAFFERY

WTD
EJH

DSH

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

May 27, 1944

10 p.m.

AMEMBASSY,

RIO DE JANEIRO.

1644 / /

FROM THE SECRETARY OF THE TREASURY

As you already know, the President has approved a conference to be held in the United States beginning July 1. The American technical experts are inviting an informal committee of experts from 10 to 12 countries to meet in Washington about June 12. This committee would prepare an agenda and other material for consideration by the conference.

I should greatly appreciate having you approach the Minister of Finance to inquire whether Mr. Bulhoes, or such other technical experts as the Minister might designate, would be able to participate in the work of the informal committee.

HULL
(GL)

FMA:GL:HG

5/27/44

DEPARTMENT OF STATE

/ MAY 30 1944

DIVISION OF
COMMUNICATIONS & RECORDS

Mr. Collado

Mr. White

Please send the following message to the American Embassy,
Rio de Janeiro. From the Secretary of the Treasury.

"As you already know, the President has approved a conference to be held in the United States beginning July 1. The American technical experts are inviting an informal committee of experts from 10 or 12 countries to meet in Washington about June 12. This committee would prepare an agenda and other material for consideration by the conference.

"I should greatly appreciate having you approach the Minister of Finance to inquire whether Mr. Bulhoes, or such other technical experts as the Minister might designate, would be able to participate in the work of the informal committee."

Treasury Department
Division of Monetary Research

Date... May 5, 1944 19

To: Miss Chauncey

I think the Secretary would
like to read this.

H.D.W.

MR. WHITE
Branch 2058 - Room 214-1/2

C
O
P
Y

The Foreign Service
of the
United States of America

AMERICAN EMBASSY

Rio de Janeiro, Brazil, April 22, 1944

My dear Mr. Secretary:

I have received your letter of April 13, 1944, transmitting a draft of the joint statement of experts on the establishment of an international monetary fund. As mentioned in my telegram to you of April 20, I transmitted the final revised draft to Finance Minister Arthur de Souza Costa, who expressed his appreciation for your thoughtfulness and courtesy in suggesting publication in Rio de Janeiro simultaneous with release in Washington and London.

The text was published in full in today's local press and the plan is receiving widespread and favorable publicity in the newspapers and over the radio. As of possible interest to your organization, I enclose a translation of the Finance Minister's public statement which accompanied the publication of the text.

Not enclosed

Dr. Octavio Bulhoes, Brazil's technical expert in monetary matters, has informed me of his favorable reaction to the preliminary discussions held in Washington last year with Dr. Harry White and his associates.

If in the future I can be of assistance to you in this or any other matter, please do not hesitate to call upon me.

Sincerely,

(sgd) JEFFERSON CAFFERY

Enclosure:

Translation, as stated.

The Honorable

Henry Morgenthau, Jr.,
Secretary of Treasury,
Washington, D. C.

TELEGRAM SENT

Mr. Bernstein
4 - Treas

LC

PLAIN

X

April 20, 1944

Treasury
(hito)

U. S. URGENT

EMBASSY,

RIO DE JANEIRO.
1264, Twentieth
FOR THE AMBASSADOR

DEPARTMENT OF STATE
DIVISION OF
COMMUNICATIONS
AND RECORDS

Text of Proposed Joint Statement on the Establishment
of an International Monetary Fund

Sufficient discussion of the problems of international monetary cooperation has taken place at the technical level to justify a statement of principles. It is the consensus of opinion of the experts of the United and Associated Nations who have participated in these discussions that the most practical method of assuring international monetary cooperation is through the establishment of an International Monetary Fund. They have set forth below the principles which they believe should be the basis for this Fund. Governments are not asked to give final approval to these principles until they have been embodied in the form of definite proposals by the delegates of the United Associated Nations meeting in a formal conference.

#1264, Twentieth, to Rio de Janeiro

-2-

I. Purposes and Policies of the International Monetary Fund.

The Fund will be guided in all its decisions by the purposes and policies set forth below:

1. To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.

2. To facilitate the expansion and balanced growth of international trade and to contribute in this way to the maintenance of a high level of employment and real income, which must be primary objective of economic policy.

3. To give confidence of member countries by making the Fund's resources available to them under adequate safeguards, thus giving members time to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

4. To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.

5. To assist

5. To assist in the establishment of multilateral payments facilities on current transactions among member countries and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

6. To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

II. Subscription to the Fund.

1. Member countries shall subscribe in gold and in their local funds amounts (quotas) to be agreed, which will amount altogether to about \$8 billion if all the United and Associated Nations subscribe to the Fund (corresponding to about \$10 billion for the world as a whole.)

2. The quotas may be revised from time to time but changes shall require a four-fifths vote and no member's quota may be changed without its assent.

3. The obligatory gold subscription of a member country shall be fixed at 25 percent of its subscription (quota) or 10 percent of its holdings of gold and gold-convertible

#1264, Twentieth, to Rio de Janeiro

-4-

convertible exchange, whichever is the smaller.

The obligatory gold subscription of a member whose home areas have suffered substantial damage from enemy action or occupation shall be only three-fourths of the above.

III. Transactions with the Fund.

1. Member countries shall deal with the Fund only through their Treasury, Central Bank, Stabilization Fund, or other fiscal agencies. The Fund's account in a member's currency shall be kept at the Central Bank of the member country.

2. A member shall be entitled to buy another member's currency from the Fund in exchange for its own currency on the following conditions:

(a) The member represents that the currency demanded is presently needed for making payments in that currency which are consistent with the purposes of the Fund.

(b) The Fund has not given notice that its holdings of the currency demanded have become scarce in which case the provisions of VI, below, come into force.

(c) The Fund's total holdings of the currency offered (after having been restored, if below that figure, to 75 percent of the member's quota) have not been increased by more than 25 percent of the member's quota during the previous twelve months and do not exceed 200 percent of the quota.

#1264, Twentieth, to Rio de Janeiro

-6-

(d) The Fund has not previously given appropriate notice that the member is suspended from making further use of the Fund's resources on the ground that it is using them in a manner contrary to the purposes and policies of the Fund; but the Fund shall not give such notice until it has presented to the member concerned a report setting forth its views and has allowed a suitable time for reply.

The Fund may in its discretion and on terms which safeguard its interests waive any of the conditions above.

3. The operations on the Fund's account will be limited to transaction for the purpose of supplying a member country on the member's initiative with another member's currency in exchange for its own currency or for gold. Transactions provided for under 4 and 7, below, are not subject to this limitation.

4. The Fund will be entitled at its option, with a view to preventing a particular member's currency from becoming scarce:

- (a) To borrow its currency from a member country;
- (b) To offer gold to a member country in exchange

#1264, Twentieth, to Rio de Janeiro

-7-

for its currency.

5. So long as a member country is entitled to buy another member's currency from the Fund in exchange for its own currency, it shall be prepared to buy its own currency from that member with that member's currency or with gold. This shall not apply to currency subject to restrictions in conformity with IX, 3 below, or to holdings of currency which have accumulated as a result of transactions of a current account nature effected before the removal by the member country of restrictions on multilateral clearing maintained or imposed under X, 2 below.

6. A member country desiring to obtain, directly or indirectly, the currency of another member country for gold is expected, provided that it can do so with equal advantage, to acquire the currency by the sale of gold to the Fund. This shall not preclude the sale of newly-mined gold by a gold-producing country on any market.

7. The Fund may also acquire gold from member countries in accordance with the following provisions:

(a) A member country may repurchase from the Fund

#1264, Twentieth, to Rio de Janeiro

-8-

for gold any part of the latter's holdings of its currency.

(b) So long as a member's holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be paid for with gold.

(c) If at the end of the Fund's financial year a member's holdings of gold and gold-convertible exchange have increased, the Fund may require up to one-half of the increase to be used to repurchase part of the Fund's holdings of its currency so long as this does not reduce the Fund's holdings of a country's currency below 75 percent of its quota or the member's holdings of gold and gold-convertible exchange below its quota.

IV. Par Values of Member Currencies.

1. The par value of a member's currency shall be agreed with the Fund when it is admitted to membership, and shall be expressed in terms of gold. All transactions between the Fund and members shall be at par, subject to a fixed charge payable by the member making application to the Fund, and all transactions in member currencies shall be at rates within an agreed percentage of parity.

2. Subject to 5, below, no change in the par value of a member's currency shall be made by the Fund without the country's approval. Member countries agree not to propose a change in the parity of their currencies which will affect their international transactions unless they consider it appropriate to the correction of a fundamental disequilibrium. Changes shall be made only with the approval of the Fund, subject to the provisions below.

3. The Fund shall approve a requested change in the par value of a member's currency, if it is essential to the correction of a fundamental disequilibrium. In particular, the Fund shall not reject a requested change, necessary to restore equilibrium, because of the domestic social or political policies of the country applying for a change. In considering a requested change, the Fund

shall take into consideration the extreme uncertainties prevailing at the time the parities of the currencies of the member countries were initially agreed upon.

4. After consulting the Fund, a member country may change the established parity of its currency, provided the proposed change, inclusive of any previous change since the establishment of the Fund, does not exceed 10 percent. In the case of application for a further change, not covered by the above and not exceeding 10 percent, the Fund shall give its decision within two days of receiving the application, if the applicant so requests.

5. An agreed uniform change may be made in the gold value of member currencies, provided every member country having 10 percent or more of the aggregate quotas approves.

V. Capital Transactions.

1. A member country may not use the Fund's resources to meet a large or sustained outflow of capital, and the Fund may require a member country to exercise controls to prevent such use of the resources of the Fund. This provision is not intended to prevent the use of the Fund's resources for capital transactions of reasonable amount

required for the expansion of exports or in the ordinary course of trade, banking or other business. Nor is it intended to prevent capital movements which are met out of a member country's own resources of gold and foreign exchange, provided such capital movements are in accordance with the purposes of the Fund.

2. Subject to VI, below, a member country may not use its control of capital movements to restrict payments for current transaction or to delay unduly the transfer of funds in settlement of commitments.

VI. Apportionment of Scarce Currencies.

1. When it becomes evident to the Fund that the demand for a member country's currency may soon exhaust the Fund's holdings of that currency, the Fund shall so inform member countries and propose an equitable method of apportioning the scarce currency. When a currency is thus declared scarce, the Fund shall issue a report embodying the causes of the scarcity and containing recommendations designed to bring it to an end.

2. A decision by the Fund to apportion a scarce currency shall operate as an authorization to a member

#1264, Twentieth, to Rio de Janeiro

-12-

country, after consultation with the Fund, temporarily to restrict the freedom of exchange operations in the affected currency, and in determining the manner of restricting the demand and rationing the limited supply among its nationals, the member country shall have complete jurisdiction.

VII. Management.

1. The Fund shall be governed by a board on which each member will be represented and by an executive committee. The executive committee shall consist of at least nine members including the representatives of the five countries with the largest quotas.

2. The distribution of voting power on the board and the executive committee shall be closely related to the quotas.

3. Subject to II, 2 and IV, 5, all matters shall be settled by a majority of the votes.

4. The Fund shall publish at short intervals a statement of its position showing the extent of its holdings of member currencies and of gold and its transactions in gold.

#1264, Twentieth, to Rio de Janeiro

-13-

VIII. Withdrawal.

1. A member country may withdraw from the Fund by giving notice in writing.

2. The reciprocal obligations of the Fund and the country are to be liquidated within a reasonable time.

3. After a member country has given notice in writing of its withdrawal from the Fund, the Fund may not dispose of its holdings of the country's currency except in accordance with the arrangements made under 2, above. After a country has given notice of withdrawal, its use of the resources of the Fund is subject to the approval of the Fund.

IX. The Obligations of Member Countries.

1. Not to buy gold at a price which exceeds the agreed parity of its currency by more than a prescribed margin and not to sell gold at a price which falls below the agreed parity by more than a prescribed margin.

2. Not to allow exchange transactions in its market in currencies of other members at rates outside a prescribed range based on the agreed parities.

3. Not to impose restrictions on payments for current international transactions with other member countries (other than those involving capital transfers or in accordance with VI, above) or to engage in any discriminatory currency arrangements or multiple currency practices without the approval of the Fund.

X. Transitional Arrangements.

1. Since the Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war, the agreement of a member country to provisions III, 5 and IX, 3, above, shall not become operative until it is satisfied as to the arrangements at its disposal to facilitate the settlement of the balance of payments

differences

#1264, Twentieth, to Rio de Janeiro

-15-

differences during the early post-war transition period by means which will not unduly encumber its facilities with the Fund.

2. During this transition period member countries may maintain and adapt to changing circumstances exchange regulations of the character which have been in operation during the war, but they shall undertake to withdraw as soon as possible by progressive stages any restrictions which impede multilateral clearing on current account. In their exchange policy they shall pay continuous regard to the principles and objectives of the Fund; and they shall take all possible measures to develop commercial and financial relations with other member countries which will facilitate international payments and the maintenance of exchange stability.

3. The Fund may make representations to any member that conditions are favorable to withdrawal of particular restrictions inconsistent with IX, 3, above. Not later than three years after coming into force of the Fund any member still retaining any restrictions inconsistent with IX, 3 shall consult with the Fund as to their further retention.

#1264, Twentieth, to Rio de Janeiro

-16-

retention.

4. In its relations with member countries, the Fund shall recognize that the transition period is one of change and adjustment, and in deciding on its attitude to any proposals presented by members it shall give the member country the benefit of any reasonable doubt.

HULL
(FL)

FMA:EGC:ja

Mr. Bernstein

MJK-652
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (BR)

Rio de Janeiro
Dated April 20, 1944
Rec'd 8 p.m.

Secretary of State,
Washington.

DEPARTMENT OF STATE
DIVISION OF
APR 21
COMMUNICATIONS
AND RECORDS

1471, April 20, 6 p.m.

FOR THE SECRETARY OF THE TREASURY FROM THE
AMBASSADOR.

I personally transmitted to the Minister of Finance
your message in regard to the Joint Statement recom-
mending the establishment of an international monetary
fund. He was deeply appreciative of your interest in
this matter and suggestion of joint action. Finance
Minister, Souza Costa, asked me to inform you that he
would have released for publication on April 22 the
revised Joint Statement and that he would at the same
time make appropriate comment in regard to Brazil's
desire to collaborate in international monetary control
plans.

FOR THE DEPARTMENT - The above refer to the Depart-
ment's 1251, April 18, 10 p.m., and 1264, April 20.
Embassy is translating final revision Joint Statement
for use Finance Ministry in its public statement.

CAFFERY

RB

RMN-362

This telegram must be paraphrased before being communicated to anyone other than a Government agency. (BR)

Rio de Janeiro

Dated April 19, 1944

Rec'd 9:42 p.m.

Secretary of State

Washington.

US URGENT

1458, April 19, 6 p.m.

I have arranged to see Finance Minister tomorrow afternoon to transmit message of Secretary of the Treasury.

Embassy is having difficulty in relating Department's 1251, April 18, 10 p.m., to original suggested joint statement Department's 1180, April 11, 8 p.m. First named telegram refers to Roman numerals which were not specified in earlier telegram. Furthermore, it is not clear in all cases as to which of the amendments are in substitution or in addition.

CAFFERY

RB



April 18, 1944

RMN

This telegram must be paraphrased before being communicated to anyone other than a Government

8 p.m.

H

Agency. (RM)

U. S. URGENT

AMBASSY,

RIO DE JANEIRO.

1251

FOR THE AMBASSADOR FROM THE SECRETARY OF THETREASURY

1. I would appreciate it if you would call upon the Minister of Finance sometime Thursday, April 20, and hand him the English text and translation of the Joint Statement of the technical experts of the United and Associated Nations recommending the establishment of an international monetary fund. These documents should be given to Bulhoes also.

2. Please inform the Minister of Finance that I am appearing on Friday before the appropriate Congressional committees to bring them up to date with regard to our discussions on international monetary cooperation, and to present to them the Joint Statement. The Joint Statement will be published April 22, 1944 in a number of the capitals of the United Nations including London and Washington. It would be highly desirable if the

-2- 1251, April 18, 8 p.m., to Rio de Janeiro

statement were released by the Minister for simultaneous publication in Rio de Janeiro. It is of the utmost importance that this document should not be made public before the morning of April 22, when it will be published in Washington.

8. The following changes should be made in the text previously sent to you:

QUOTE I-8 To assist in the establishment of multilateral payments facilities on current transactions among member countries and the elimination of foreign exchange restrictions which hamper the growth of world trade.

II-1 Member countries shall subscribe in gold and in their local funds amounts (quotas) to be agreed, which will amount altogether to about \$8 billion if all the United and Associated Nations subscribe to the Fund (corresponding to about \$10 billion for the world as a whole).

II-2 The quotas may be revised from time to time, but changes shall require a four-fifths vote and no member's quota may be changed without its assent.

II-3, paragraph 2 The obligatory gold subscription of a member whose home areas have suffered substantial damage from enemy action or occupation shall be only three-fourths of the above.

III-2(e) The Fund's total holdings of the currency offered (after having been restored, if below that figure, to 75 percent of the member's quota) have not been increased by more than 25 percent of the member's quota during the previous twelve months and do not exceed 200 percent of the quota.

III-5 So long as a member country is entitled to buy another member's currency from the Fund in exchange for its own currency, it shall be prepared to buy its own currency from that member with that member's currency or with gold. This shall not apply to currency subject to restrictions in conformity with IX, 3 below, or to holdings of a current account nature effected before the removal

-4- #1251, April 18, 8 p.m., to Rio de Janeiro

-4-

by the member country of restrictions on multilateral clearing maintained or imposed under K, 2 below.

- VII-1 The Fund shall be governed by a board on which each member will be represented and by an executive committee. The executive committee shall consist of at least nine members including the representatives of the five countries with the largest quotas.
- VII-2 The distribution of voting power on the board and the executive committee shall be closely related to the quotas.
- X-3 The Fund may make representations to any member that conditions are favorable to the withdrawal of particular restrictions or for the general abandonment of the restrictions inconsistent with II, 3 above. Not later than three years after coming into force of the Fund any member still retaining any restrictions inconsistent with II, 3 shall consult with the Fund as to their further retention. UNQUOTE

WMA:EGC:ja
4/10/44

HULL
(EGC)

April 17, 1944

*some time Thursday
April 20,*

Please send the following cable to the American Embassy,
Rio de Janeiro:

To Caffery from the Secretary of the Treasury.

1. I would appreciate it if you would call upon the Minister of Finance ~~late in the afternoon of Friday, April 21,~~ and hand him the English text and translation of the Joint Statement of the technical experts of the United and Associated Nations recommending the establishment of an international monetary fund. These documents should be given to Bulhoes also.

2. Please inform the Minister of Finance that I am appearing on Friday before the appropriate Congressional committees to bring them up to date with regard to our discussions on international monetary cooperation, and to present to them the Joint Statement. The Joint Statement will be published April 22, 1944 in a number of the capitals of the United Nations including London and Washington. It would be highly desirable if the statement were released by the Minister for simultaneous publication in Rio de Janeiro. *It is of the utmost importance that*

this statement should not be made public before its publication in Washington on April 22.

3. The following changes should be made in the text previously sent to you:

"I-5 To assist in the establishment of multilateral payments facilities on current transactions among member countries and the elimination of foreign exchange restrictions which hamper the growth of world trade.

"II-1 Member countries shall subscribe in gold and in their local funds amounts (quotas) to be agreed, which will amount altogether to about \$8 billion if all the United and Associated Nations subscribe to the Fund (corresponding to about \$10 billion for the world as a whole).

"II-2 The quotas may be revised from time to time, but changes shall require a four-fifths vote and no member's quota may be changed without its assent.

Penciled corrections are the changes telephoned to State before the release of this cable on April 18

- "II-3, para-
graph 2 The obligatory gold subscription of a member whose home areas have suffered substantial damage from enemy action or occupation shall be only three-fourths of the above.
- "III-2(c) The Fund's total holdings of the currency offered (after having been restored, if below that figure, to 75 percent of the member's quota) have not been increased by more than 25 percent of the member's quota during the previous twelve months and do not exceed 200 percent of the quota.
- "III-5 So long as a member country is entitled to buy another member's currency from the Fund in exchange for its own currency, it shall be prepared to buy its own currency from that member with that member's currency or with gold. This shall not apply to currency subject to restrictions in conformity with IX, 3 below, or to holdings of a current account nature effected before the removal by the member country of restrictions on multilateral clearing maintained or imposed under X, 2 below.
- "VII-1 The Fund shall be governed by a board on which each member will be represented and by an executive committee. The executive committee shall consist of at least nine members including the representatives of the five countries with the largest quotas.
- "VII-2 The distribution of voting power on the board and the executive committee shall be closely related to the quotas.
- "X-3 The Fund may make representations to any member that conditions are favorable to the withdrawal of particular restrictions or for the general abandonment of the restrictions inconsistent with IX, 3 above. Not later than three years after coming into force of the Fund any member still retaining any restrictions inconsistent with IX, 3 shall consult with the Fund as to their further retention."

TELEGRAM SENT

This telegram must be paraphrased before being communicated to anyone other than a Government official (BR).

April 11, 1944

8 p.m.

K

EMBASSY,

RIO DE JANEIRO.

1180

Please transmit the following message from Harry White of the Treasury Department to the Brazilian Minister of Finance for Bulhões:

QUOTE Part One.

Discussions on proposals for international monetary cooperation have been held by the technical experts of the United States with the technical experts of some 30 countries. From the discussions it seems clear that it is the opinion of the technical experts that the most practical method of assuring international monetary cooperation is through the establishment of an International Monetary Fund.

Although discussions with the technical experts of a few large countries have not yet been completed, it appears that these discussions will soon be over and it may be desirable at that time to publish a Joint Statement of the views of the technical experts of the



-2-#1180, April 11, 8 p.m., to Rio de Janeiro

United and Associated Nations setting forth the principles which they believe should be the basis for a Fund if the discussions reveal such agreement. Governments would not be asked to give final approval to these principles until they are embodied in the form of definite proposals by the delegates of the United and Associated Nations meeting in a formal conference.

A summary of a draft of such a Joint Statement follows:

Part Two.

Beginning of summary.

The experts propose the establishment of an international monetary fund as a permanent institution for international monetary cooperation. The purposes would be to promote exchange stability, assure multilateral payment facilities, help lessen international disequilibrium and give confidence to member countries. All of the United and Associated Nations would subscribe approximately \$8 billion to the Fund in the form of gold and local currency in accordance with an agreed formula.

-3-#1180, April 11, 8 p.m., to Rio de Janeiro

The resources of the Fund would be available under adequate safeguards to help member countries to maintain exchange stability while they correct maladjustments in their balance of payments.

Member countries would be able to buy foreign exchange from the Fund with their own currency to meet payments consistent with the purposes of the Fund until the Fund's total holdings of their currency reach 200 percent of their quota. If a member country makes use of the Fund in a manner contrary to its purposes and policies, the Fund would give appropriate notice that it would sell additional exchange to the member country only in limited amounts. Member countries holding adequate gold and exchange resources would be expected to pay for half of their exchange purchases with gold and countries whose official holdings of gold are adequate and are increasing would be expected to use half of the increase to repurchase part of the Fund's holdings of their currency.

When the Fund's holdings of a currency become scarce,

-4-#1180, April 11, 3 p.m., to Rio de Janeiro

the Fund would issue a report and make recommendations designed to increase the supply of such currency. In the meantime, after consultation with the Fund, member countries would be authorized temporarily to restrict freedom of exchange operations in the scarce currency.

The Fund's resources could not be used to meet a large outflow of capital, although they could be used for capital transactions of reasonable amount. A member country could also use its own resources of gold or foreign exchange for capital transactions that are in accordance with the purposes of the Fund.

The par value of the currencies of member countries would be expressed in gold and could be changed only at the request of member countries. The Fund would approve a requested change in parity if it were essential to correct fundamental disequilibrium. After consultation, a member country would be permitted to change the parity of its currency by not more than 10 percent.

-5-#1180, April 11, 8 p.m., to Rio de Janeiro

Prompt consideration would be given to requests for adjustment of exchange rates.

The Fund would be managed by a Board of Directors and an Executive Committee representing the members. Voting power would be closely related to quotas. A member country could withdraw from the Fund immediately by giving notice in writing. Thereafter, the reciprocal obligations of the Fund and the country would be liquidated within a reasonable time.

Member countries would not allow exchange transactions at rates outside a prescribed range based on the agreed parities. They would not be permitted to impose restrictions on payments for current international transactions, or to engage in discriminatory currency arrangements or multiple currency practices without the approval of the Fund.

During the period of transition following the war, member countries would be permitted to retain their exchange controls with the expectation that these would be gradually relaxed. Three years after the establish-

-6-#1180, April 11, 8 p.m., to Rio de Janeiro

ment of the Fund any member still retaining restrictions inconsistent with these principles would consult with the Fund as to their retention. The transition period is recognized as one of change and adjustment and in deciding on requests presented by members the Fund would give them the benefit of any reasonable doubt.

End of Summary.

Part Three.

When the discussions have ended in the next week or two and if agreement has been reached with the experts with whom we are now in discussion we may wish to announce this statement simultaneously in a number of important centers. It seems fitting to have the Joint Statement published in Rio de Janeiro when and if it is published.

Part Four.

It is important that this message be treated as strictly confidential. Further information on the proposed Joint Statement will be sent to the Minister of Finance for Bulhoes in the very near future.

FMA:EGC:ja 4/11/44

HULL
(EGC)