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MEETING AT TREASURY - MARCH 13, 1944

Present: Chichulin, Smyrnov, Zlobin, Bystrov, Morozov, Kuznezov
White, Bernstein, Luxford, Richardson, Sundelson, Brown,
Collado, Angell, Maffry, Goldenweiser, Gardner, Bourneuf.

White began by saying he agreed that some gold should be held in Russia but that he thought gold might be held in more than the "big four" and also that decisions as to how much held in one place or another should be left to the directors of the Fund. The U.S. thinks no mention of this should be made in the Joint Statement. The U.S. will insist at the conference that some be held in Moscow.

White then promised Russia that her original quota plus her allotment will give her at least 10 per cent of the votes. White said it was impossible to make China's quota that big on any formula and that the U.S. did not want to arbitrarily give the "big four" certain votes. The U.S. is willing to reduce the percentage of quotas needed to veto a change to 9 per cent or 8 per cent. Smyrnov asked if the 10 per cent referred to in 5(E) was the total quota of a country including the special allotment and White said yes. White said the final Russian quota would be at least 10 per cent of aggregate quotas and that the Russians would be assured a veto anyway.

On the membership in the Executive Committee White said he agreed the "big four" should be represented but did not want to say so explicitly -- he would say that the Executive Committee shall include the representatives of the five countries with the largest quotas. China will be fourth or fifth largest. White hoped the data would make China fourth.

Morozov asked if the Executive Committee would have 7, 9, or 11 members. Various figures mentioned in answers to questions and in detailed draft. White said it would have to be left to the conference.

White asked Mr. Goldenweiser to explain what the phrase "give consideration to" means in the provisions concerning the Fund's recommendations. Chichulin said that in one of the answers the Treasury had said the Fund's recommendations would influence public opinion. White explained that the provision was directed chiefly at the United States. Chichulin asked what the Fund would do if a country refused to take its recommendations. In White's absence Bernstein replied that the Fund in general would do nothing more -- that each country can determine its own policies except in cases where purchases of exchange from the Fund are involved and went on to explain that a country wanting further aid from the Fund might have to take the Fund's recommendations. The statement about giving consideration is

under the heading "Policies of Member Countries" because each country promises to at least do that. Bernstein used as an example of a Fund recommendation which becomes a condition a case of a country drawing on the Fund to finance imports of passenger cars -- with no prospect of reversing its adverse balance.

Luxford suggested the Fund would never refuse assistance within the quota and Bernstein and Gardner objected violently that of course it might. Bernstein said there would have to be a clear case of violation of the purposes of the Fund.

The meeting was suddenly adjourned because Mr. White was called away.
Next meeting Tuesday, March 14, at 11 a.m.