

COPY

Mr. Bittermann

Mr. Luxford

You have asked for an informal opinion as to the proper construction of Article IV, Section 2 of the Bank agreement in so far as it relates to the 2% of subscriptions required to be paid to the Bank in gold or U.S. dollars. Your question is directed particularly to whether the United States will have a veto power over the lending of dollars paid into this 2% fund.

I do not believe that there is any necessity to make a legal construction of the various provisions involved. If, as appears to be the case, it was intended that this 2% fund should be available for direct loans by the Bank without restriction by any member, the intention can be fulfilled irrespective of the legal construction which might be given to the language.

If all countries pay the 2% in gold, there will be no question as to the right of any country to veto loans made with the proceeds thereof. Accordingly, to avoid the possibility of disputes arising at a later date, the United States can pay 2% of its subscription in gold and can offer to convert any dollar subscriptions of other countries into gold before payment is made to the Bank. This will result in 2% of the subscriptions being held by the Bank in the form of gold which under Article IV, Section 2(d) can be loaned without restriction by any member. The problem will not recur since Section 2(d) also covers currencies for which such gold is exchanged.

RB:meu
11/25/44