

UNITED STATES TREASURY DEPARTMENT
PHILIPPINE OFFICE, FOREIGN FUNDS CONTROL
MANILA, P. I.

Letter No. 263
8 September, 1945

Mr. Harry D. White
Assistant Secretary of the Treasury
Washington, D. C.

Dear Mr. White:

Supplementing our cable No. 99 of 8 September we enclose herewith copies of the draft bill for the participation of the Philippines in the International Monetary Fund and the International Bank for Reconstruction and Development, as prepared for President Osawa by his Financial Advisors. Also enclosed are copies of a draft of a message from the President to Congress with respect to the bill.

At the time the bill was originally drafted copies of the Act passed by the United States Congress were not available here, and as a consequence the bill does not include many of the amendments made by Congress. On 7 September however we received copies of the United States Act and the changes made by the United States Congress were examined. It was decided that there was no need for a National Advisory Council in the Philippines, and that Sections 12, 13 and 14 of the United States Act incorporated matters which were not of special interest to the Philippines since it does not anticipate that it will be a leading country. These changes in the United States Act were therefore not included in the Philippine Bill. Section 9 which deals with "Obtaining and Furnishing Information" was changed however to conform to the provision in the United States Act, with the exception that paragraph (b) dealing with the subpoena power was omitted. The President of the Philippines already has this power under other statutes.

Section 8 of the draft bill deals with the payment of subscriptions and was prepared without consultation with this Office. Although we feel that this provision could be better drafted, we felt that your comments and suggestions should be obtained before we suggested any changes since it involves highly technical considerations. In the payment of the subscription to the Fund the financial advisors feel that the Treasury Certificate Fund can be utilized and still remain as reserve for the currency. It is anticipated that the United States will sell to the Philippines the gold necessary to meet its subscription.

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For the payment of the subscription to the Bank the sum of 6 million pesos is appropriated to meet the initial 20% payment. However the Financial Advisers feel that under the Articles of Agreement only \$300,000 in gold and cash is required to be paid immediately, and that the balance of the initial payment can be made in non-negotiable demand notes. No appropriation is made for the balance of the subscription to the Bank, the draft merely providing that the Commonwealth Government "guarantees" payment of this amount.

It is anticipated that some of the provisions of the draft bill will be subjected to severe tests in the Senate, especially the provisions for the use of the Treasury Certificate Fund. Senate leader Roxas has in the past opposed any tampering with this Fund, so intend to keep you advised of any developments.

The Financial Advisers to President Osuna have indicated that they would welcome any suggestions that the Treasury Department might care to make, emphasizing however that they desire to secure passage of the Act by the end of this Session of Congress, September 19th, so that the Philippines can become an "Initial" member of the Fund and the Bank.

Sincerely yours,

/s/ Fred E. Smith

FRED E. SMITH
U.S. Treasury Representative

FEC/sgb

Distribution:

9/21/46

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Mr. Richards, Mr. O'Flaherty, Mr. Moskowitz, Mrs. Margaret Schwartz,
Mrs. Beddington (for filing) Mr. E. H. Bernstein

Original Enclosures ^{1, 2} 1 to C. C. Pilon, carbon copy of Enclosures ^{1, 2} 1 to
Mr. Bernstein

ACTION: MR. E. H. BERNSTEIN