

EXECUTIVE BOARD MINUTES

EXECUTIVE BOARD MEETING 55/41

1818 H Street, N. W.

10:00 a.m., June 17, 1955

Present:

I. Rooth, Chairman; Executive Directors: L. H. E. Bury, D. Crena de Iongh, C. Gragnani, J. Luna-Guerra, O. Paragagua, P. S. N. Prasad, A. Z. Saad, F. A. Southard, B. Tann; Alternate Executive Directors: T. Friis, B. B. Callaghan, H. M. H. A. van der Valk, O. Donner, C. P. Caranicas, P. J. Keogh, A. de Lattre, J. C. Gouvea, V. G. Pendharkar, J. H. Warren, A. Mansour, J. S. Hooker, C. Y. Hsieh, M. Toussaint, B. Wongsan; R. L. Horne, Acting Secretary; F. Hodel, Assistant Secretary.

Present for Items:

3--E. M. Bernstein, Director, Research and Statistics Department; 3--P. J. Brand, Western Hemisphere Department; 1-4--R. Brenner, Acting General Counsel; 3--J. H. C. de Looper, Exchange Restrictions Department; 3--J. G. del Solar, Western Hemisphere Department; 1-4--H. L. Dey, Director, Asian Department; 3--G. Ferras, Deputy Director, Exchange Restrictions Department; 3--I. S. Friedman, Director, Exchange Restrictions Department; 3--A. S. Foz, Western Hemisphere Department; 3--W. R. Gardner, Research and Statistics Department; 1-4--J. Gold, Legal Department; 3--J. W. Gunter, Middle Eastern Department; 1-4--E. P. Hexner, Legal Department; 1-3--E. Jones, Exchange Restrictions Department; 3--F. A. G. Keesing, Exchange Restrictions Department; 1-4--Y. C. Koo, Treasurer; 1-4--R. Kroc, Treasurer's Department; 3--H. W. Larsen, International Bank; 2--C. L. Merwin, European Department; 3--H. C. Murphy, Deputy Director, Asian Department; 3--J. S. Raj, Exchange Restrictions Department; 3--J. Reid, Office of the Managing Director; 3--U. Sacchetti, Exchange Restrictions Department; 3--C. E. Sanson, Research and Statistics Department; 3--P. Thorson, Director of Administration; 3--Y. C. Wang, Exchange Restrictions Department; 1-2--W. R. Wyczalkowski, European Department.

1. Approval of Minutes

The draft minutes of Meeting 55/24 were approved.

2. Settlement with Czechoslovakia

The Executive Board considered the staff's report on the negotiations with the representatives of Czechoslovakia for a settlement of all accounts between the Fund and Czechoslovakia under Article XV, Section 3, and a proposal for settlement on behalf of Czechoslovakia (EBS/55/5, Sup. 8, 6/10/55).

Mr. Southard said, even though it was not very favorable to the Fund, he was prepared to accept the proposal in view of the history of the case, the efforts of the Fund negotiators to obtain a better settlement and the advantage to the Fund to have a prompt settlement in the matter. There were two points in the text of

the proposed agreement, however, which he wished to have clarified. First, with respect to the last clause in Article I reading "in U.S. dollars at the par value in effect at the time of payment", he assumed that the drafters meant "at the par value of the U. S. dollar in effect at the time of payment." He also wished it confirmed that the foreign exchange value to be used as the base for any change in the foreign exchange value of Czechoslovakia's currency as specified in Article VII was the foreign exchange value of the koruna derived from the ratio of the amount of korunas specified in Article VII and the amount of gold cited in Article I.

The staff representative replied that, since Article I referred only to a debt in gold and to payment in gold or U.S. dollars, it was not felt necessary to make further reference to the U.S. dollar in the last phrase because "par value" could only refer to the par value of the U.S. dollar. Any change in the foreign exchange value of Czechoslovakia's currency mentioned in Article VII would be based on the rate derived from the first sentence of Article VII which specified the amount of korunas of current legal tender to be deposited by August 1, 1955 and the amount of gold cited in Article I.

Mr. Tann raised the question as to whether Czechoslovakia should be exempted from the obligation of sharing in the Fund's accumulated deficit. He also thought that an interest rate of $2\frac{1}{2}$ per cent in place of the rate set forth in Article V, Section 8, and particularly the reduction in interest provided for by Article V of the proposed agreement, was quite a concession to Czechoslovakia. Nevertheless, since he personally thought the Fund had spent enough time on the case, he would not press his points if the other Directors found the offer acceptable. The staff representative explained that the basic manner of settlement with a withdrawing member is by agreement between the member and the Fund. The staff had been unable to reach any agreement with the representatives of Czechoslovakia to include a share of the Fund's deficit. In the absence of an agreement, the Legal Department's view was that Schedule D would not require a payment of a share of the accumulated deficit. The question of the rate of interest was a matter of judgment and the Board would have to determine whether it was desirable to accept a reduction as an incentive to speed up payment. Mr. Wongsan said his position was the same as Mr. Tann's, but, after hearing the staff's explanation, he assumed the proposed agreement represented the best compromise.

Mr. Saad and Mr. Prasad supported the proposed settlement and expressed their pleasure at the spirit of compromise evident in the negotiations.

Mr. Keogh and Mr. Warren also supported the offer which seemed satisfactory in view of all the circumstances.

Mr. Southard noted that the Czechoslovak representatives had stated that their signature to the agreement was subject to confirmation by the Czechoslovakian Government. In these circumstances, he proposed that the Board authorize the Managing Director to sign the proposed agreement only when he was satisfied that the Czechoslovakian representatives possessed this confirmation. The other Directors agreed.

The decision was:

The Managing Director is authorized to sign for the Fund the draft agreement with Czechoslovakia attached to EBS/55/5, Supplement 8 (6/10/55), when he is satisfied that the representative who signs for Czechoslovakia has authority to bind the Czechoslovak Government.

3. Technical Cooperation - Brazil

The Executive Board heard and discussed an oral report by Mr. Bernstein on the current situation in Brazil and some of the remedial measures which are now under consideration.

4. Pension Committee

The Executive Board elected Lord Harcourt and Messrs. Crenn de Iongh, Saad, and Southard as members of the Pension Committee for the year ending June 30, 1956.

5. ECOSOC - 20th Session - Fund Representation

In the absence of a request by any Director for formal consideration in the time specified, the following decision was recorded (EBD/55/75, 6/9/55):

The Executive Board approved Fund representation at the 20th Session of ECOSOC as set forth in EBD/55/75 (6/9/55).

APPROVED BY THE EXECUTIVE BOARD:

Meeting 55/46, July 8, 1955

IVAR ROOTH
Chairman

ROMAN L. HORNE
Acting Secretary