COMMISSION III

THE HEMICYCLE

2:00 p.m. July 20, 1944

THE CHAIRMAN: The meeting will come to order.

The Secretary has noted here that he finds there is a quorum.

At the last meeting of Commission III held on July 10, 1944, three committees were appointed pursuant to the decision of the Commission to consider and make recommendations with respect to the following general fields:

First, the use of silver for international monetary purposes; second, enemy assets, looted property and related matters; third, recommendations on economic and financial policies, exchange of information and other means of financial cooperation.

I am informed that the three committees have now completed their work and are prepared to report the results of their deliberations. Before calling upon any of the reporters, I would like to point out that, except for Committee No. 2, copies of the respective reports have been given general distribution. However, if any delegate does not have copies of the two reports, will he please raise his hand and copies will be distributed to him.

(Distribution of copies was made.)

I would also like to suggest that the person speaking from the floor clearly announce his name and delegation so that the reporters and members of the Commission will know who is speaking.

I will now call upon the reporter, Mr. Te-Mou Hsi of the Chinese Delegation, to read the report of Committee No. 1.

(Mr. Te-Mou Hsi read his report.)

THE CHAIRMAN: Is there any discussion?

MR. LLOSA (PERU): Mr. Chairman, as one of the four greatest producers of silver of the world, Peru is much interested in the lot of this metal. The historical background of the use of silver as a monetary metal cannot be forgotten and must not be underestimated. The psychological prestige of silver cannot be denied, nor its popularity among the less favoured classes throughout the world.

Several countries, including Peru, use silver as a part of their legal monetary reserves. Outstanding representatives of the silver-minded opinion have formally claimed that unless a place is assigned to silver in monetary stabilization there would be an insufficiency of media for the settlement of international balances, and the use of silver as money will be undermined; Backed with enough expert opinion to be realistic, it has been recently suggested, too, as a platform for the mining industry, a general support of hard money philosophy, a policy that Peruvian miners are willing to adopt.

On account of these considerations, the Peruvian Delegation supports the approval of the report submitted by the Committee 1 of this Commission III, meaning that the subject of value of silver and of the monetary uses of this metal deserve further study by all the interested nations.

BRAZIL: The Brazilian Delegation supports the proposal of the Committee and of the Delegation of Peru.

MR. LUXFORD (UNITED STATES): Mr. Chairman, the United States wants to add its support to this proposal.

THE CHAIRMAN: We will, then, proceed to take a vote on the report read by the reporter of the first subcommittee. Those in favor of the report please raise their hands.

(Show of hands.)

THE CHAIRMAN: Those contrary-minded?

(Show of hands.)

THE CHAIRMAN: The "Ayes" carry it. The report is adopted.

I will ask my friend, the Vice President, to take the Chair in order to make some remarks and to explain the sense of the vote of the Mexican Delegation.

(The Chairman read his statement, as follows:

(Page 4 follows.)

Mister Chairman, Fellow Delegates:

The Mexican Delegation wishes to make this statement to put on record its position regarding Mexico's approval of the report submitted by Committee I.

The Mexican Delegation realizes that it is difficult to find a definite solution to the silver problem in this Conference. But it considers that a great step has been taken in recognizing the importance that silver has for some countries as a monetary metal. The Mexican Delegation expresses the hope that in the near future countries interested in silver either as producers or consumers, shall find after unbiased and technical consideration of the problem, a way to stabilize the value of silver.

Upon creating an International Monetary Fund, the United Nations are tacitly invited to recognize that the fair and just price for gold is thirty-five dollars an ounce. Henceforth, each of them will accept an ounce of gold whenever they have a right to receive thirty-five dollars, or the equivalent, from another nation.

As for Mexico, her position is clear and definite. During the past few years of tribulations, Mexico has, of her own accord, accepted, in unlimited amounts, an ounce of gold for every thirty-five dollars due her. She has done so in spite of the hardships of inflation, and even realizing to the fullest extent the risk involved in these transactions, inasmuch as no nation has ever committed itself to buy that gold from Mexico at the same price she has paid for it. Throughout this most difficult period she has also issued Mexican currency at a fixed rate of

4.85 pesos to the U. S. Dollar, or about 169.75 pesos for each ounce of gold, although she has had no assurance or guarantee that other nations will give her in commodities and services a fair equivalent to her investment in gold. Mexico has done all this mainly because of her full unselfish devotion to a higher cause: helping her Allies to win this war.

Mexico and other silver-using countries are entitled to expect in return for their cooperation to maintain the present price of gold the assistance of other countries to stabilize the price of silver at a just and fair level.

The history of the past seventy years, according to those who oppose silver, should contradict Mexico's expectation. They claim that silver has no place in the monetary structure of the world.

As if to spite those that like to say the last word on an intricate subject such as silver, humanity insists not to behave according to pure theoretical reasoning. It takes an emergency or a catastrophe such as we are living today, to realize the importance of silver as a monetary metal. Is it not true, for instance, that in this hour of anxiety the Mexican masses have found in silver what they believe to be the best, most secure value as against all the uncertainties that the future may hold? Is it not also true that many other Latin-American countries have tried to buy silver in order to allay the fears of their own populations? Who can deny that the Allied Armies have found more willing traders in the East and Near East, when the soldiers were provided with silver coins instead of an up-to-date, fully guaranteed, gold

note? Would it be absurd, besides, to anticipate that in the aftermath of this diabolic nightmare, the peoples of many invaded countries will find hoarding silver is better than many other forms of saving, as it has been proved in the past?

The answers are obvious to all but the prejudiced. Humanity -- that is, the larger and poorer part of humanity -- continues to believe in silver, even if only because it is not their lot to believe in gold or in any of the so-called higher forms of wealth.

If this plain truth be accepted, then it must be evident that any monetary scheme designed to meet the needs of all the peoples of the world is incomplete unless it takes into account silver as one of the component factors of the whole picture.

A nation whose monetary system will henceforth operate in accordance with the plan we will submit to our Governments, will accept gold at the proposed world price of thirty-five dollars an ounce, only because she has the assurance that the other member counrries of the system will likewise accept gold at the same price, when the former becomes a debtor to them. But that particular nation might well be a silver-minded country whose people want neither bills nor bank deposits backed with gold reserves, but prefer and demand plain silver coins from their monetary authorities. In the latter case, that country would naturally be forced to invest part or all of its gold reserve in silver, in order to meet the demand of its people. When that same nation becomes a debtor, because, for instance, of a serious depreciation of her

exports in the world markets, how can she turn the silver coins into gold, in order to meet an unfavorable balance? The only way, of course, will be to sell her silver stocks in a forced market, at whatever price the buyers want to pay for them.

We hold and we shall strive in the future to look upon, as a solution of this problem, a relative stabilization of the international price of silver. We feel that this solution is feasible. Just as the United States Government decided that gold was worth thirty-five dollars an ounce, and was thereafter able to establish that price in the world markets, so did that same Government decide to maintain silver at a fixed price in the outside world markets and has been able to do so for a long time. The pegging of both metals in terms of the dollar has brought about as far as it is possible to find out, none of the calamities with which the traditional enemies of silver like to scare credulous people. If a single nation has been able to do so much both for gold and silver without disrupting its monetary equilibrium, internal or external, why should it not be possible through international co-operation to undertake the same task, without depending entirely on the willingness of one nation to carry forever the whole weight of the stabilization of both metals?

The Mexican Delegation is aware of another argument against recognizing silver as a component part of the monetary pattern of the world. Nobody who is anybody, it is said, should give a thought to the silver problem, since it only affects a few of the so-called backward peoples of the earth, whose international trade added together is but a minor, negligible fraction of the world

trade. If this same or a similar attitude were to be applied to all the problems of the post-war world, it is difficult to see how that world could be happy. For how can we brush aside so lightly the economic habits of millions upon millions of humble people, just because they are poor and cannot thus "belong" amongst the economic "elite" of this earth?

In closing, it is most fitting that the Mexican Delegation should quote the wise words which His Excellency the President of the United States, said to Congress in a Special Message on January 15, 1934:

> "The other principal precious metal -- silver -- has also been used from time immemorial as a metallic base for currencies as well as for actual currency itself. It is used as such by probably half of the population of the world. It constitutes a very important part of our own monetary structure. It is such a crucial factor in much of the world's international trade that it cannot be neglected."

Mexico feels certain that a monetary problem, small in economic dimensions but large in human implications, will receive due consideration in the future, as envisaged by the report we have just approved.

THE CHAIRMAN: May I call upon the reporter of the second committee to read his report?

DR. KEILHAU (NORWAY): Mr. Chairman, I have to begin by telling a story. I shall try to make it as short as possible. You will have seen before you Document No. 470 which was distributed, I think, this morning and which was prepared last evening when the Reporting Delegate thought that the meeting of this Commission should take place after dinner yesterday.

If you have studied that report you would notice that it invery explicit words gives expression to the fact that all members of the Committee agreed on the two main realities placed before the Committee but that there was a certain difference of opinion concerning the wording.

As for the first two items dealt with by this Committee, namely, the Bank for International Settlements in Basle, two members criticized the formula adopted by the majority. I regret that I didn't get the opportunity of including a definite proposal from those two members in the report, but as a matter of fact during that rush hour I had before me some documents and I did not know just which was the right one and I did not find any of those delegates, so that I could be certain which would be used. However, there was a strong feeling within the Committee that if we agreed in reality it would be a pity if those disagreements concerning the minor point of formulation really should give birth to any debate in this Commission, and our most energetic Chairman called us again together at twelve o'clock today to try to bring about a complete reconciliation, and we succeeded. So, I have here to withdraw the wordings of that first report and place before you a unanimous report from the Committee.

I shall take first the question of the Bank for International Settlements, The proposal here is very short. I shall read it aloud to you, but I have also had typewritten copies of it made which I shall distribute as soon as I have read the conclusion.

This is a proposal submitted jointly by the Norwegian and the Netherlands Delegation, and it reads thus:

"The United Nations Monetary and Financial Conference recommends the liquidation of the Bank for International Settlements at the earliest possible moment."

I shall send that around. (Distribution was thereupon made.)

THE CHAIRMAN: Discussion is open on this part of the report of the second committee.

MR. BEYEN (NETHERLANDS): On behalf of the Netherlands Delegation, I want to make a statement with regard to the proposal for the liquidation of the Bank of International Settlements on which the second committee of this commission has acted. Originally the Norwegian Delegation had placed before this commission a proposal that the United Nations Monetary and Financial Conference recommend the liquidation of the Bank at Basle. It was suggested that the liquidation would begin at the earliest possible date, and that the Governments of the United Nations now at war with Germany appoint a committee of investigation in order to examine the management and transactions of the Bank during the present war.

The Netherlands Delegation wants to state that it has always been willing to accept the resolution in its original form. It considers the liquidation of the Bank for International Settlements as inevitable. The Bank for International Settlements should not continue to function side

by side with the International Monetary Fund. But quite apart from that its statutes and its financial structure are the outcome of a world situation that after the victory of the United Nations will no longer exist. An investigation into the management and transactions of the Bank during the present war can only be welcomed by all those who think that it would be in the interest of the future of cooperation in the monetary field if the truth about the Bank's conduct should at last be made available to a public whose judgment can now only be based on current stories borne out of ignorance of the true facts. Whether or not this conference is the suitable body to pass the original motion is another matter, about which the Netherlands Delegation does not wish to express an opinion. But it never had objections against its contents and would not have objected to the motion on any formal grounds.

The resolution was presented in a different form when the second committee met for the first time. The Norwegian Delegation had in the meantime deleted that part of the resolution which deals with the investigation of the management and transactions of the Bank during the present war. The Netherlands Delegation expressed its regret at that meeting at the deletion of the sentence dealing with the investigation. (Document #447)

THE CHAIRMAN: Any further remarks?

MR. LUXFORD (UNITED STATES): Mr. Chairman, since Committee 2 has unanimously reported this resolution to us, I move that the Commission adopt the resolution.

MR. GUTT (BELGIUM): I second the motion.

THE CHAIRMAN: That part of the report of the sub-committee is before the Commission for a vote. Those in favor of the report please say "Aye."

VOTE: Aye.

THE CHAIRMAN: Those against say "No."

(None)

THE CHAIRMAN: The "Ayes" carry. That part of the report is adopted.

May I call on the reporter of the second subcommittee to continue his report?

DR. KEILHAU (NORWAY): Mr. Chairman, the second item which was referred to this Committee 2 deals with the looted property. There were, as stated in Document 470, originally one Polish and one French proposal, which both were withdrawn in favor of a proposal from the United States. However, as I have already mentioned, there was a reservation from the Delegation of the United Kingdom, but this reservation was not a reservation on substance but more on the formulation because the United Kingdom felt that the form would not pay sufficient attention to what had already been done in this field and that which you would call the political side of the formulation was not just one hundred percent correct.

Now we have in the committee adopted a new formulation which, I regret, has not been typed yet. I shall read it out to you very slowly but, to begin with, I shall just state one fact. The Delegation of the Soviet Union Republics have not had in their minds a sufficient time to study the physiology, the exact wording, of this resolution. They are in favor of it in substance but they think there are many delegations which will be in the same position here as they are and, also, the fact exists

that we cannot present it in typewritten form. Accordingly, the Soviet Republics Delegation has suggested to us that there be appointed a special drafting committee in case, what we sincerely hope, that the Commission adopts the proposal and that this drafting committee shall go through the wording and then send the resolution direct to the Conference. All the other members of the Committee have accepted that suggestion from the Soviet Delegation, and it has been agreed that in case a member should be the United States, United Kingdom and the Soviet Republics, the Soviet Republics /will join in reporting delegates as additional members.

I shall now read to you the resolution:

"The United Nations Monetary and Financial Conference:

1. Notes with satisfaction the establishment by the United Nations of machinery designed to assist the nations of the world in

(a) uncovering, segregating, controlling and making appropriate disposition of, enemy assets;

(b) Locating and tracing ownership and control of looted property and taking appropriate measures to make restoration to its lawful owners.

2. Recommends that all governments represented at this conference, and particularly those already participating in the operation of this machinery, call upon governments of neutral countries

(a) to take immediate measures to prevent any disposition or transfer within territories subject to their jurisdiction of any

(i) assets belonging to the government or any individuals or institutions within those United Nations occupied by the enemy; and

(ii) looted gold, currency, art objects,

securities, other evidences of ownership in financial or business enterprises and all other assets looted by the enemy, as well as to uncover, segregate and hold at the disposition of the post-liberation authorities in the appropriate country any such assets within the territory subject to their jurisdiction;

(b) to take immediate measures to prevent the concealment by fraudulent means or otherwise within countries subject to their jurisdiction of any

(i) assets belonging to, or alleged to belong to, the government of any individuals or institutions within enemy countries;

(ii) assets belonging to, or alleged to belong to, enemy leaders, their associates and collaborators, and to facilitate their ultimate delivery to the post-armistice authorities."

As you will notice, gentlemen, there are differences between this last unanimous recommendation of the Committee and the formulation given in Document 417 R 2. The first one is that we now note with satisfaction the establishment of the machinery. We say, particularly after having ascertained what has already been done, that it is only proper to note this with satisfaction and to give our support to what has already been done; and, second, we do not call upon directly the neutrals -- and I quite agree with the United Kingdom's Delegation in this, certainly, as the more appropriate way of expressing ourselves.

I have, accordingly, the pleasure to present a unanimous draft ~~xfxthx~~ resolution on behalf of the Committee to the Commission.

THE CHAIRMAN: Discussion is open on the report of the second subcommittee.

MR. LUXFORD (UNITED STATES): Mr. Chairman, I wanted to be sure -- I take it that Committee 2 is recommending the "Whereas" clauses also, is it not? The only change was made in the "Now, therefore" clause.

THE CHAIRMAN: Any remarks?

DR. KEILHAU (NORWAY): That is so.

SOUTH AFRICA: Mr. Chairman, I have only one suggestion to make. Of course, I heartily approve. I would suggest a certified copy with the "Whereases" be transmitted to Messrs. Hitler, Goering and Goebbels.

(Laughter)

THE CHAIRMAN: Any further comments?

MR. LUXFORD (UNITED STATES): Mr. Chairman, I would like to move that we accept the principles of this resolution and that we instruct a drafting committee to be named by you to go over the document for style and form but maintain the principle of this document.

(The motion was seconded.)

THE CHAIRMAN: Those that are in favor of the motion please raise their hands.

(Show of hands.)

THE CHAIRMAN: Those contrary-minded raise their hands, please.

(Show of hands.)

THE CHAIRMAN: The motion is carried. Therefore, in accordance with the suggestion made by the reporting delegate and the motion just approved by the Commission, I will appoint a drafting committee composed of U.S.S.R., the United Kingdom, the United States and the president and the reporter of the second committee.

MR. ISTEL (FRENCH DELEGATION): Mr. Chairman, as Chairman of Committee 2, I would like to make a short reservation. I do not think that the reporting delegate in his excellent report revealed a secret when he mentioned that the two subjects which were recommended by this committee were of a controversial nature and that the origin, there was not complete unanimity, so I would like to pay a tribute to the very fine spirit shown by all members in the committee in joining unanimously .....

THE CHAIRMAN: May I call upon the reporter of the third committee to read his report?

(MR. AL-KABIR (IRAQ): The substance of the report of the third committee appears in Document No. 428, which has been already distributed. May I read it?

(Document #428 was read in part, as follows:

"At the secondmeeting of Commission III held at 5:00 p.m. on July 10th, 1944, Committee 3 was appointed to consider proposals for action which had been assigned to it in accordance with the recommendations of the Agenda Committee and to make recommendations to the full Commission concerning action to be taken at this Conference with respect thereto.

"Committee 3 wishes to report as follows concerning its decisions and recommendations with respect to the various proposals submitted to it: The full texts on the proposals are set forth in the report of the Agenda Committee (Document No. 235)."

Before proceeding further with the reading of this report, I would ask the Chair to give a decision on ~~the~~ a point of procedure. In view of the very different nature of the recommendations and the resolution taken by the Committee, it will appear to me more appropriate if the

various proposals are made one after the other and considered by the Commission separately. May I ask, Mr. Chairman, for a decision on this point?

THE CHAIRMAN: If the Commission has no objection, I willpresent for the consideration of this Commission, oneby one, the recommendations made by the third sub-committee.

MR. AL-KABIR (IRAQ): Now, proposal No. 1 appeared in Document No. 218. The proposal refers to an international agreement on the maintenance of high levels of employment submitted by the Australian Delegation and designated as No. 5 on the report of the Agenda Committee. It was the subject of much discussion. (Reading) "In view, however, of a basic disagreement concerning this proposal, it was the consensus of the Committee that no recommendation should be made but that the Australian Delegation might raise the matter before the full Commission."

MR. TANGE (AUSTRALIA): Mr. Chairman, the Commission has in front of it Document No. 467, which contains the views of the Australian Delegation on their proposal for an international employment agreement and indicates the reasons why we were unable to regard the recommendation of Committee 3 as a substitute for the Australian proposal. I do not propose to read this statement fully but I would like to go through it and select what we regard as the main elements in it.

You will notice that the two essential features of the proposal are, first, that there should be a resolution calling for an international agreement to maintain high levels of employment; and, secondly, that that agreement should be reached at a specified time.

Their reasoning has been that domestic policies directed to the maintenance of high levels of employment are far more significant than measures which can be taken in the international field alone ignoring the domestic policies. We argue that domestic policy is properly a matter of international concern for three reasons: first, because the initial source of demand of trade lies in domestic policy and chiefly in those policies which affect employment and the level of income. Secondly, we argue that domestic levels of employment are of international concern because we believe that unless domestic policies are directed to maintenance of full employment and that other forms of international collaboration have very limited prospect of success. And our third argument is that the achievement of agreement on international arrangements for economic collaboration --the prospects will be very much greater of having them accepted by the various communities of the world if they can see these closely tied up with policies which are of vital concern to them as ordinary people -- in other words, policy affecting their daily bread and butter.

Finally, I should like to draw attention to our remarks at the bottom of page 2 of this document. We do not envisage that domestic policy should become the concern of an international authority in the sense that it will be free to direct policies or in any way to interfere with the right of a country to determine in its own way how it would maintain high levels of employment. Our stress is on its obligation by whatever means it sees fit to maintain high levels of employment.

UNITED KINGDOM: Mr. Chairman, on a point of procedure, might I make a suggestion? It is this, that instead of

proceeding with the discussion of the Australian motion now we should first have discussion on the longer resolution dealing with commercial policy..... and economic policy. The point of my suggestion is this. I think as the discussion on the Australian /~~xhx~~ proposal proceeds it will be found that it will be purely arguable and it is unnecessary to proceed with the Australian proposal because the point covered in the Australian proposal is already covered in the longer proposal.

I suggest that it, therefore, might be of convenience to all of us ~~xx~~ and shorten the discussion if we broke off the discussion on the Australian proposal and proceeded to the longer resolution which relates to a commercial policy.... and economic policy. After that, we shall all see more clearly what we really think about the need for a proposal along the lines suggested by the Australian Delegation.

THE CHAIRMAN: If the Australian Delegation has no objection, we will proceed as suggested by the Delegate of Great Britain, or may I call upon Mr. Al-Kabir to continue his report.

MR. AL KABIR (IRAQ): Paragraph 2. The first proposal, referred to Commission III from Commission I, concerns the settlement of abnormal indebtedness arising out of the war and designated as No. 6 in the report of the Agenda Committee. It was withdrawn after the following exchange of views which took place between the Egyptian and the United Kingdom Delegations. They are inserted verbatim in the record by specific request. I will read the two statements:

(Reading)"Mr. G. F. Bolton of United Kingdom Delegation said, "In due time the British Gove nment will invite the Egyptian Government to send their representative to London to arrive at a satisfactory solution of the problem."

On behalf of the Egyptian Delegation, Mr. Sany Lackany ~~Bax~~ said, "It gives me great pleasure to hear the statement of the Delegation of the United Kingdom, who are our great friends and allies. We are aware of the difficulties involved, but we feel we are entitled to see some evidence of good will on the part of the United Kingdom. Now that a reassuring statement has come from the Delegation of the United Kingdom I would like to place the fact on record and acknowledge it with thanks."

Now we pass to paragraph 3, a proposal concerning the "use of a member's gold contribution to the Fund as a coverage for note issue, submitted by the Norwegian Delegation and designated as No. 7 in the Report of the Agenda Committee, was discussed and it was the decision of the Committee that the subject is not a matter on which the Conference should make any recommendation."

Shall I proceed?

THE CHAIRMAN: Yes.

MR. AL-KABIR (IRAQ): Paragraph 5 appeared in Document No. 187. The proposal concerned the status of earmarked gold, submitted by the Mexican Delegation and designated as No. 10 in the Report of the Agenda Committee. It was considered and it was the decision of the committee that no action should be taken with respect to this matter.

Now, paragraph 5. (Reading) "After discussion, the proposal concerning the use of a gold unit in keeping the books of the Fund and of the Bank, submitted by the Norwegian Delegation, was discussed." That appeared in Document No. 256, and was designated as No. 11 in the Report of the Agenda Committee. (Reading) "The Committee decided that no action should be taken with respect to this proposal but that decision as to this matter could best be

made by the Fund and the Bank at the time of their establishment."

A similar suggestion, although not quite the same, appeared in Document No. 153 and was submitted by the Egyptian Delegation. The proposal was considered by the committee and the committee decided that no action should be taken with respect to this proposal but that decision as to this matter could best be made by the Fund and the Bank at the time of their establishment.

DR. KEILHAU (NORWAY): I rise to state on behalf of the Norwegian Delegation that we have no objection to this. We take it that it means one very important thing, namely, that the idea of an international monetary unit is not bad. We may fight for it in the time before the first meetings of the Fund and the Bank, and we are satisfied with that.

MR. AL-KABIR (IRAQ): Now, proposal No. 6, and the last proposal. There have been several proposals submitted by several delegations on the subject, one from Peru, one from Brazil under Document No. 287, one from Chile under Document No. 289, one from Bolivia under Document 265 and one from Cuba under Document 288. The Committee decided that the several proposals submitted by Peru, Brazil, Chile, Bolivia and Cuba containing recommendations for international consideration and action with respect to other specified international economic problems should be consolidated into one document which might be an appropriate resolution to be adopted by this Conference. Accordingly, the following resolution was drafted and adopted by the Committee. Representatives of the Delegations of Bolivia and Peru expressed

a preference for certain alternative language and requested this fact to be noted in the record. However, it is the recommendation of this Committee that Commission III recommend the adoption by the full Conference of the following resolution; I now read the resolution as passed by the Committee:

(Reading) "Whereas in Article I of the Articles of Agreement of the International Monetary Fund it is stated that one of the principal purposes of the Fund is to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income in the territories of all members as primary objectives of economic policy;" this paragraph 235 in the light of action taken by Commissions I and II.

(Reading) "Whereas it is recognized that the complete attainment of this and other purposes and objectives stated in the Agreement cannot be achieved through the instrumentality of the Fund alone;

"Therefore the United Nations Monetary and Financial Conference recommends to the participating Governments that, in addition to implementing the specific monetary and financial measures which were the subject of this Conference, they seek, with a view to creating in the field of international economic relations conditions necessary for the attainment of the purposes of the Fund and of the broader primary objectives of economic policy, to reach agreement as soon as possible on ways and means whereby they may best:

(1) reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations;

(2) bring about the orderly marketing of staple commodities

at prices fair to the producer and consumer alike;

(3) deal with the special problems of international concern which will arise from the cessation of production for war purposes; and

(4) facilitate by cooperative effort the harmonization of national policies of Member states designed to promote and maintain high levels of employment and progressively rising standards of living.

It is the further recommendation of the Committee that the Chairman of the Commission be empowered to make appropriate modifications in the two 2whereas" clauses to incorporate any changes made in the draft Articles of Agreement of the International Monetary Fund, as well as appropriate reference to the Bank for Reconstruction and Development, in the light of action taken by Commission II."

CUBA: Mr. Chairman, the Cuban Delegation moves that the proposal of the Committee be adopted by the Commission. We think that this resolution contains a very important principle; that is to say, the recognition that without other international action in solving other international economic problems the Fund and the Bank cannot successfully operate. The wording in this resolution has not only recognized this fact but it is recommended that agreement be reached in four main fields, in four main lines; that is to say, the reduction of barriers to trade, the orderly marketing of staple commodities and the special problems created by the cessation of war production. And, furthermore, this resolution contains in a somewhat denuded and not so strong form but it nevertheless contains the principles defended by the Australian Delegation in the sense that there is no possibility of successful international

economic relations if each nation within its borders, within its internal economy, does not provide and try to do its best effort to attain full employment for its population within its borders. So, Mr. Chairman, I move that this proposition be adopted.

(New Zealand)
REPORTING DELEGATE: Mr. Chairman, before this is seconded, I would like to take this opportunity of reaffirming what has already been stated as a conviction of the New Zealand Delegation by the Chairman of the New Zealand Delegation, who is not here today, that without the fullest possible utilization both of human and physical resources by member countries the Monetary Fund cannot be successful in carrying out its aims.

It is, therefore, the view of the New Zealand Delegation that to enable the Fund to function to the best advantage the member countries should come to an agreement that they will explore the best means of promoting the highest possible level of employment and real income. Our view would be largely met if subparagraph (4) on page 3 of the document we are considering were amended by leaving out the words "facilitate by cooperative effort the harmonization of national policies of Member states designed to" and merely making (4) read "promote and maintain high levels of employment and progressively rising standards of living."

At first sight, it might seem that does not achieve anything at all because the promotion of the high level of employment and real income is already provided for there, but it is very greatly qualified inasmuch as it says, "facilitate by cooperative effort the harmonization of national policies of Member states designed to promote." That means if they are already designed to or if they come to be designed to

promote a high level of employment and real income then they would be harmonizing national policies, but the ones that did not have that attitude and did not do all they could to promote high levels of employment and real income would not come into the picture. That is why I recommended that the clause should be amended to read "promote and maintainhigh levels of employment and progressively rising standards of living."

CANADA: Mr. Chairman, I should like to second the motion of the Delegate from Cuba and in doing so I should like to make some comments. The Minister of Justice in the Government of Canada, Mr. L. S. St. Laurent, wished to speak to this resolution but, unfortunately and unexpectedly, he was called back to Ottawa and I should like to make some comments on his behalf.

(The speaker read Document #485.)

UNITED KINGDOM: Mr. Chairman, on behalf of the United Kingdom Delegation, I should say that the United Kingdom also wishes to record their support for the motion as drafted; but they would not be in favor of the alteration of clause (4) as suggested by the New Zealand Delegation. In their view, that clause (4) quite definitely deals with one aspect of the problem raised in the Australian resolution. In our view there is a field of transactions which is international in character and another field for action which is domestic in character. The resolution before you relates to the action in the international field. The United Kingdom Delegation support the Australian motion that certain things should be taken up by each government in the domestic field but that in itself, while necessary, isnot enough. Over and above what is done by governments in the national domestic field to promote employment arrangements to coordinate the policy adopted by

each government and the result that what one government does in the matter of employment policy does not react unfavorably on another government. It is the coordination, perhaps the conciliation may be a better word, of the various national policies directed towards the promotion of employment with which part (4) of the resolution before us is concerned. In the view of the United Kingdom Delegation both provisions are necessary; that is, the inclusion of point (4) in the resolution before you and as a natural appendment to it the Australian resolution, which addresses itself to what is to be done in the national sphere. The Australian resolution in effect says, "Yes, while we agree that all this has got to be in the international field, that will take some time. Here is something that all of us can be getting on with at home here and now." Each of the governments represented here is recommended to adopt a domestic policy designed to promote higher levels of employment within the territories under its jurisdiction. That is something to be got on with at once. The overflow from that will be international in character. That overflow will be dealt with under (4) of the resolution that you have before you.

The United Kingdom Government, therefore, hope that you will accept the comprehensive resolution which you have before you, and they further hope that when the discussion proceeds to the details of the Australian resolution you will immediately accept it.

THE NETHERLANDS: The Netherlands Delegation wishes to support the Cuban proposal in its original form.

MR. LLOSA (PERU): Mr. Chairman, may I ask if the Article I of the Fund is in final form and whether we can know now what changes have to be made on the two "whereas" clauses to bring it in harmony with the wording of Article I of the Fund? If I am right, the (2) of Article I of the Fund

reads practically the same as the first "Whereas," almost word for word, with the exception of the words "to the development of the productive resources," which could be very well added to the first "Whereas," although I don't know whether it is really important. The second "Whereas" I don't think is affected in any way by the changes that may have been made in the article I. I would like to know if the Secretary could tell us something about the changes which he thinks should be introduced in a motion.

MR. SCHMIDT (UNITED STATES): Mr. Chairman, it was the feeling of the Committee that drafted this that if Commission II agrees upon the Bank that possibly some mention should be incorporated in the two "Whereas" clauses about the Bank as well as the Fund, and furthermore the change which the Delegate from Peru has suggested concerning the addition in the light of any change in the agenda -- any change in Article I of the Articles of Agreement. I am not quite clear as to the final form of the Articles of Agreement now, but I would suggest that the matter of the consideration of the precise language be deferred at this point until Commission I and Commission II have finished their meeting today and changes could be considered when the resolution is reported to the Plenary Session, where all of the delegations will be represented.

MR. LLOSA (PERU): In other words, I take it that if there are any further changes they will be minor matters which will not really affect the substance because we all seem to be in agreement with it.

MR. SCHMIDT: That's right.

MR. LLOSA (PERU): In behalf of the Peruvian Delegation, I also want to welcome the motion. I think it will strengthen the results of the Conference and the Conference itself to a

very large extent, this motion, because by passing this motion we will be boldly facing an aspect of the economic problem which unless taken care of could very well destroy the two organizations which this Conference is going to set up. We have discussed the Fund and we have discussed the Bank. They are both meant to tackle very special problems -- very special problems which are of great importance for the future prosperity of the world but problems which the two institutions will not be able to solve by themselves if things are not done which would prevent the problems in these two particular fields from growing beyond the scope of the institutions themselves.

We have witnessed during the last few years before the war permanent disequilibrium in the balance of payments of the different countries in the world. We all know that the Fund is not meant to and could never cope with such permanent disequilibrium. And, therefore, one of the major problems to achieve orderly exchange arrangements in the world is to prevent such a permanent disequilibrium from developing again after the war. Nothing that has happened during the war can lead us to believe that the problem will be less serious after the cessation of hostilities. Some people even think that it may be more and more difficult to solve it than before the war, that the trend may be more pronounced, that the disequilibrium may be even deeper. And, therefore, if the Conference had not boldly faced this issue the critics outside who are telling us all the time that we are dodging the real economic problem of the next few years and that in a way we are working up in the clouds, thinking about small aspects of a big problem and not realizing that unless the big problem is tackled nothing can be done successfully. Those critics now will

not be able to advance their arguments because here we are saying definitely that certain conditions are necessary for the achievement of the purposes of the Fund itself. In other words, we are supporting what the Chairman of the Conference said in his opening address when he said specifically that even the problem of achieving exchange stability would not be attained without these other matters being taken care of.

Because it is so important to attack those other problems, because it is necessary to set up the right conditions, the Peruvian Delegation has been greatly disappointed that the Committee hasn't seen its way to go one step further and recommend some definite action. We are here saying that certain things should be done, that they are necessary for the success of the two main organizations which will come out of this Conference, but we are not setting up machinery so that that will be done within a reasonable time. We know how often purposes of this sort have been had in view, how often the world has been aiming and wishing to do things and yet has not done them because the appropriate machinery had not been set up to start working. In the original motion of the Peruvian Delegation we actually asked for a conference to be called to take up these other problems. Unfortunately, the other members of the Committee thought that such a thing could not be done by this Conference, that all this Conference could do was to recommend a thing and make it clear that in its opinion these other steps were necessary. We are greatly disappointed that they didn't see their way to go a step further because we are very much afraid that unless the matter is taken up at once it may be forgotten and the world may risk the Fund

and the Bank without first of all creating the conditions which are necessary for the success of the Fund and of the Bank, and we are greatly worried by this because these are the first true attempts at world cooperation that are made with a view to the future. Up to now, those local and other agreements have been worked out to take care of the temporary conditions arising out of the war. But here we have the first two definite attempts at permanent world cooperation and we all know very well that if they were to fail we might not be able to attempt again world cooperation for very many years to come. Therefore, the world should be more than careful to be sure that it is treading on very firm ground before attempting anything of the sort. We have set out our views at length in a statement which has been circulated and which I dare say you all have, and I only hope that our disappointment will not prove to be a permanent disappointment and that in the very near future we may see the countries which have taken the lead in calling this conference together also taking the lead in calling some sort of a conference or international gathering which may take up the study of the solution of these fundamental problems on which not only the general prosperity of the world relies but also the very success of these two institutions.

As for the amendment moved by the Delegate from New Zealand, for the same reasons that were expressed by the Delegate from the United Kingdom, we don't feel that the motion could go as far as he suggests, although we fully sympathize, as it is obvious from what I have said, with the end, As we think, the motion itself makes quite clear.

MR. TANGE (AUSTRALIA): Mr. Chairman, I wish to add a few words to the statement of the Chairman of the Peruvian Delegation. As has been stated, the Delegation from Peru recognizes that the draft resolution which has been read covers the issues of the Peruvian proposal with regard to the enumeration of the course which must be pursued to assure the attainment of the objective sought by the International Monetary Fund and the Bank for Reconstruction and Development and the other primary objectives of economic policy.

However, said draft resolution fails to mention a practical method by which to achieve those objectives, whereas the Peruvian resolution does not. We continue our belief in the conference of the United and Associated Nations on commercial policy may be one of such practical means it could not help start major meetings with one or more regional conference on related subjects. For instance, an American conference which might deal with the special problems which will arise for many American countries on the cessation of production for war purposes, endeavoring to adopt resolutions for an orderly return to peace conditions and from the necessary economic mobilization of America for the defense of the Continent which was enacted at the third meeting of the Ministers of Foreign Affairs held in Rio de Janeiro after Pearl Harbor.

We are not going to specify the agenda that might be assigned to such an international commercial conference, already outlined in the Peruvian proposal, but we would like to mention now a sample of the subjects to be tackled by such a conference, which should aim at elimination of discrimatory practices in the field of international trade

A great many practices of the kind which particularly arise in the relations of small countries with international cartels or other world-wide organization will not be taken into consideration outside a conference because they belong to the jurisdiction of moral rather than positive law, namely, the dumping and underselling to destroy legitimate activities of similar industries, the discriminatory rates in transportation and communication and all these destroying practices which impede the development of orderly commercial and x sound economic life. A conference on economic policies seems to be the most suitable institution to take care of these practices by drafting provisions which could be submitted for the approval of the nations represented and in which universally sound principles and sound commercial practice should be adopted and the unfair practices that should be condemned should be clearly defined. It may be taken for granted that the existence of such a court if it happens to be approved will not eradicate those undesirable practices, but it is hoped that it will constitute a court for the commercial enterprises inclined to employ that sort of means and which would seek to estimate the high moral standard of those who do not employ those means and help the new countries in that way to obtain higher levels of employment and better standards of living.

That is why we place our confidence in the fact that, although not specifically mentioned in the draft resolution among the means with which the resolution will be implemented, there will be one or more international conferences, as has been suggested by the Peruvian Delegation.

Mr. Chairman, I would like my words to be included in the records of the proceeding.

(AUSTRALIA) The Australian Delegation would be unable to support the report of the Committee for the reasons that I gave earlier, in particular because we feel that, as I think the Delegate from the United Kingdom pointed out, these are matters of international relations and clause (4) in that sense is quite consistent with clauses (1), (2) and (3). Our difficulty is that we feel it adds very little to what is already in clauses (1), (2) and (3). Our feeling is that to "facilitate by cooperative effort the harmonization of national policies of member states designed to promote and maintain high levels of employment and progressively rising standards of living" can hardly be brought about through the medium of these other sorts of international collaboration which are set down here.

Our feeling, therefore, is that very little would be added by having this clause included. At the same time, we have the greatest sympathy toward the suggestion of the New Zealand Delegation that the emphasis should be shifted from the international aspect of employment to the domestic aspect by calling for ways and means of promoting and maintaining high levels of employment, but our position is we feel it does not go far enough and we still stand on our position that we require a recommendation that governments agree to maintain high levels of employment.

I would like these remarks to be quoted in the record of this meeting.

MR. : Mr. Chairman, this seems to be developing into a general debate, and just for my guidance I would like to know how is it that the Plenary Session of the Conference which has been set for this afternoon -- are we having a session here while the Plenary Session is gathering already, or what is the situation?

THE CHAIRMAN: Well, inasmuch as the Cuban Delegation has moved for the approval of the report by Committee No. 3 and it has been seconded by many delegations, I will put to a vote the report of the third committee before this Commission.

Those in favor of approving the report of the third committee please say "Aye."

VOTE: Aye.

THE CHAIRMAN: Those contrary-minded please say "No."

VOTE: No.

THE CHAIRMAN: The "Ayes" have it. The report is adopted.

Gentlemen, you have heard the reports of the three committees and you have passed upon them. Mr. E. C. Fussell of the New Zealand Delegation, who has been acting as reporter of this Commission, will present his report to the Plenary Session of the Commission.

AUSTRALIA: Mr.Chairman, do I understand that the Australian resolution on foreign policy is still before the Commission, the resolution by the Australian Delegation proposing that Documents 235 --

THE CHAIRMAN: Do you want a vote taken on your pro-position?

AUSTRALIA: Yes.

THE CHAIRMAN: The proposal of the Australian Delegation is before the Commission for a vote. Those in favor please say "Aye."

VOTE: Aye.

THE CHAIRMAN: Those against please say "No."

VOTE: No.

THE CHAIRMAN: Well, I am afraid it will be difficult. We will take a vote by raising hands. Those in favor please raise their hands.

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(SHOW of hands.)

THE CHAIRMAN: Those contrary-minded?

(Show of hands.)

THE CHAIRMAN: The proposal of the Australian Delegation is rejected.

Before adjourning, I would like to compliment the officers of the committees for the splendid work they have done. If there is no other business to be transacted, we adjourn the meeting of this Commission.

(Whereupon, at 3:45 p. m., July 20, 1944, the Commission meeting was adjourned.)

ARBrown
Reporter

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