

Memorandum for the Files

Subject: Premium Sales of Gold by South Africa.

Meetings in the Treasury Department, Saturday, February 24, 1951.

In the morning, present for the U.S.: Messrs. Willis, Smith, Eddy, Polk, Howard, Hooker.

" " " " " U.K.: Sir Sidney Caine, Messrs. Rowe-Dutton, Cristobal, Leslie Crick.

" " afternoon " " " U.S.: Messrs. Willis, Smith, Polk, Hooker.

" " " " " U.K.: Sir Sidney Caine, Mr. Crick.

" " " " " Canada: Mr. Rashinsky, Mr. Keith.

In the morning meeting the British explained that their instructions made official their earlier views in support of the maintenance of the Fund's gold policy and their concern that Canadian abandonment of the policy would be the final blow to this policy. Particularly at the present time, ~~when~~ they were concerned with the disappearance of gold production into private channels.

Their instructions were somewhat ambiguous, and they could not give a commitment that they would support the recommendations of the Fund Staff. These instructions talked in terms of an appeal being made to South Africa, and apparently hoped for such an appeal before a decision by the Executive Board as to whether South African action was in conflict with the Fund's policy. They thought it should be possible to obtain definite instructions which would authorize them to support Fund Staff, however, and though we should have further discussions with Canada on this assumption.

However, they suggested that an opportunity must be given to South Africa to send a special representative to the Fund Board to be present at the discussion of this matter. On checking the time-tables, they felt that this would not be possible during the following week, and that some overlap into

the next week might be necessary. Planes leave South Africa on Sunday, Tuesday and Thursday, and the trip requires about two days, if there are no delays. A provision in the Fund regulations was cited, which requires that a member who does not appoint an Executive Director has the right to have a special representative present when matters of concern to it are discussed by the Executive Board.

In the afternoon meeting the British opened by explaining their instructions to the Canadians and indicated that London had reiterated its support of the Fund's gold policy and its concern with the consequences of the Canadian participation in premium gold sales. They mentioned the suggestions for an appeal to South Africa, and indicated their realization that the time schedule did not permit this. They said that they had communicated further with London and hoped to have instructions Monday which would permit them to give a firm commitment to join with the United States in support of the Fund Staff's recommendations. They suggested that we proceed on the assumption that this would be the case.

The matter of allowing time for a South African representative to be present was explored at length. Mr. Rashminsky agreed to discuss with Ottawa the possibility of allowing the Executive Board to postpone final decision until Monday, March 5th, to allow the South African representative to be present. The possibility was also to be mentioned that if the plane did not arrive on time the Fund Board consideration might be further delayed, but no later than Wednesday, March 7th.

Mr. Rashminsky then indicated that since the major objective was to provide the Canadian Minister with an appropriate basis for resistance to the Canadian producers, it would be necessary to issue a public statement.

He thought this would be embarrassing to Canada if issued in Ottawa rather than in Washington. It was provisionally agreed that the Fund would, as it has in the past, release the Executive Board decision to the press in Washington.

The second point made by Mr. Rashminsky was that it would also be helpful if the Canadians would not have to vote on the specific question of compliance by South Africa with the Fund policy, although they would be prepared to vote for a general reaffirmation of Fund policy. This also was reserved for consideration by the principal parties.

The form of the Executive Board decision was then discussed. It was agreed that it would cover the following major points:

1. A reaffirmation of Fund policy in the original terms of the 1947 statement.
2. A determination that existing practices of South Africa were not in accordance with the policy and an invitation to South Africa to modify its policies in order to conform.
3. An authorization to the Managing Director to consult with members on a greater degree of compliance with the Fund policy.
4. A general appeal to members to support the Fund's policy.

It was agreed that this statement would be provisionally drafted by Mr. Smith and that it would be reviewed by Sir Sidney Caine for the United Kingdom and Mr. Rashminsky of Canada at 2:15 p.m., Monday, February 26, in Mr. Hooker's Office. Sir Sidney undertook to cable to London but stated that he would ask for a discretion from London and that we did not need to wait for London approval before going ahead on the basis of the statement, to consult with other directors.

It was agreed that the British would undertake to consult with Mr. Melville, the Director for South Africa and Australia, and would attempt to ascertain whatever information might be available concerning South Africa's desire to send a special representative. In the meantime, consultation would begin with other Directors in the Fund with a view to ascertaining the supporters of the position. A quick check indicated that the support might be limited to the U.S., the U.K., India and China as a relatively firm corps. To this might be added some more doubtful members such as Italy, the Middle East, Yugoslavia. It was felt that most of the Europeans might not wish to go along.

Draft 2/24/51
GHW:ms