

Fund  
~~International~~

Brussels, 1 April 1946.

MEMORANDUM

Conference with Minister of State Camille Gutt and M. de Selliers, Conseiller d'Administration of the Ministry of Finance, on March 27, 1946

- Re: (1) International Bank and Monetary Fund
- (2) Belgian efforts to float another dollar loan
- (3) M. Mendes-France and French politics
- (4) Belgian political situation

I invited Messrs. Gutt and de Selliers to dine with me. In the course of the dinner M. Gutt made a number of remarks concerning what had taken place at Savannah. The following is an attempt to summarize some of his more interesting comments.

M. Gutt mentioned that he was soundly out at Savannah by the British, Canadians and French with regard to his willingness to accept the managing directorship of the International Monetary Fund in the event that he is elected thereto.

M. Gutt apparently expressed his willingness to accept. M. Gutt stated that his election will probably be assured if he receives the support of Secretary Vinson.

M. Gutt's tentative plans, in the event he is not elected managing director of the International Monetary Fund, are to devote only six months of the year to his duties as executive director of the two institutions. Although his plans are necessarily uncertain, M. Gutt appeared to believe that he will spend the remainder of the year in Belgium.

In M. Gutt's opinion, the International Monetary Fund and the Bank will probably not be ready to operate for another five or six months. He indicated that although this view may seem a somewhat cynical attitude, it is a realistic attitude based on many years of experience with international organizations.

There is attached to the original of this memorandum an article from La Libre Belgique of March 27, 1946, quoting from a report published in the Manchester Guardian which comments somewhat caustically on the alleged steamroller tactics

cc: 4/22/46 Messrs. Glasser, Luxford, Mikecell, Bernstein, Eddy, Quater, Horne, Brenner, E. Hebbard, Samarski-Folk

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used by the United States Treasury at Savannah. Referring to M. Gutt's election to the executive directorship of both the Fund and the Bank, La Libre Belgique concludes in a tone of bitter sarcasm that Belgians whose funds were blocked by M. Gutt or who must pay the extraordinary war taxes established under his initiative are not likely to send M. Gutt telegrams of congratulations for his election to an office paying \$17,500 a year, "free of all taxes."

Referring to La Libre Belgique article, which is unsigned, M. Gutt stated that he is willing to bet one thousand francs against ten that it was written by Professor Fernand Baudhuin of the University of Louvain. M. Baudhuin's strong antipathy to everything derived from M. Gutt has already been referred to in my memorandum dated January 8, 1946, of a conference with Governor Frere of the National Bank of Belgium. (Please refer attachment No. 10 to my letter No. 54 dated January 9, 1946.) M. Gutt remarked that Baudhuin is the paid hireling of the Baron de Launoit of Brufins. M. Gutt stated that he knows this because at one period when the Baron de Launoit was attempting to curry Gutt's favor while he was Minister of Finance, the Baron wrote Gutt a letter promising to call off Baudhuin's attacks. M. Gutt observed that from that time on until he resigned as Minister of Finance in February 1945, the entire tone of Baudhuin's articles changed.

Although it is still too early to judge at this stage, it may be that La Libre Belgique, which is representative of the extreme royalist and Catholic elements in Belgium, is adopting a generally critical attitude toward both the Fund and the Bank. This conclusion is based not only on the aforementioned article, but also on an article appearing in La Libre Belgique for March 29, 1946, copy of which is attached to the original of this memorandum, summarizing a statement made by Minister E. J. Ward of Australia attacking the Bretton Woods Agreements. Although this article purports to be straight reporting, it is interesting that none of the Brussels morning papers of March 29 which I have seen carry any mention of Minister Ward's address. This conclusion is further fortified by an article attacking M. Gutt in La Libre Belgique of March 30, copy of which is attached to the original of this memorandum, stating among other things that many Belgians are not without anxiety over the billions of francs in gold which have been invested in the Bretton Woods institutions as Belgium's stake in this "game."

M. Gutt published an article concerning the Savannah conferences in Le Soir of March 28, 1946, copy of which is attached to the original of this memorandum. The article is noteworthy in that it records M. Gutt's faith in the Bretton Woods organizations as one of the principal hopes for international collaboration in the postwar world and the first step in the return to a free international commerce, Belgium's

and the world's road back to prosperity.

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M. Gutt mentioned that while he was in the United States, he put out feelers regarding the possibility of floating a one hundred million dollar Belgian loan either with the Export-Import Bank or in private banking channels. M. Gutt indicated that these discussions were to be continued after his departure from the States by Governor Frere and M. Ansiaux of the Banque Nationale de Belgique with President Martin of the Export-Import Bank and also with officials of Morgan and the Guaranty Trust Company. The very nebulous terms which had been mentioned to M. Gutt in private banking channels were an interest rate of approximately  $3\frac{1}{2}\%$  to  $4\%$  on a one hundred million dollar loan repayable in 25 years.

M. Gutt indicated that one possibility which he, Governor Frere and M. Ansiaux have been considering is that of encouraging the Societe Nationale de Credit a l'Industrie, a private organization representing Belgian industrialists, to float a dollar loan through private banking channels, which loan would be guaranteed by the Belgian Government. M. Gutt expressed the opinion that such a loan would have certain advantages over a government to government loan, for until now Belgian industrialists have been obtaining their dollar requirements indirectly by purchasing them from the Banque Nationale de Belgique against francs, whereas under this scheme they would be able to obtain their dollars directly from the lending source. He indicated that this type of procedure would be consistent with the general over-all objective of facilitating a return to private initiative as quickly as possible.

M. de Selliers was of the opinion that such a procedure would be unworkable. He remarked that he could not conceive of a Belgian business man being willing to assume a long term dollar obligation for purposes of renovating his industrial equipment. M. de Selliers pointed out that Belgian business men would hesitate to do so, if only because of their fear of a devaluation of the franc in the 20 or 25 year interim before the dollar obligation could be liquidated. M. de Selliers asked M. Gutt where a Belgian business man would be now if he had contracted a long term dollar obligation at the end of the last war, when the Belgian franc was worth approximately 80.20, and he were under an obligation to liquidate the loan now with the franc valued at slightly more than  $2\frac{1}{4}$  cents to the dollar.

M. Gutt asked me about the significance of the recent statement of the National Advisory Council concerning loans to foreign governments. M. Gutt asked whether this statement is intended to indicate that the National Advisory Council is prepared to make no additional loan commitments to foreign governments, and to Belgium in particular, in view of the fact that the International Bank will be ready for business in the near future. I stated that from what I knew, the National Advisory Council appears to be following a policy of limiting the long term loans of the Export-Import Bank to the relatively short interim when the International Bank will be ready for operation. I added that it might well be that a Belgian request for an additional loan would stand a chance of receiving favorable consideration if it were shown that the funds requested are required to tide the Belgians over the period until the International Bank is ready for business. M. Gutt indicated that the Belgians are interested primarily in reconstruction loans.

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M. Gutt stated that he had numerous discussions in Savannah with M. Mendes-France about French politics. M. Gutt is of the personal opinion that M. Andre Philippe is not strong enough to carry France through its present crisis. M. Mendes-France apparently indicated to M. Gutt that the reason he had refused to head the Ministry of Finance in the Gouin cabinet was not because of the refusal of his party to approve his acceptance of a post in the Gouin cabinet, as was indicated in the press reports at the time, but rather because no one was prepared to accept in full the program for the rehabilitation of France which he had proposed. Because of his refusal to accept limitations and compromises, M. Mendes-France found it impossible to strike an agreement with the politicians. M. Mendes-France apparently indicated to M. Gutt that he had agreed to the wording of the press release issued at the time in order not to create further confusion when many individuals already had grave doubts concerning the Government's ability to surmount the crisis.

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M. Gutt expressed the hope that Minister de Voghel would remain Minister of Finance in whatever new government is established in Belgium. In M. Gutt's opinion, Minister de Voghel is the best possible choice as Minister of Finance. M. Gutt indicated that he is doing what he can to support Minister de Voghel's candidacy by urging his appointment on all men who are likely to be called upon by the Prince Regent to form the new cabinet. M. Gutt indicated that he expects to call on Prime Minister Van Acker among others.\*

(Initialed MJM)

Matthew J. Marks  
U. S. Treasury Representative

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\*The newspapers of April 1, 1946, announced the formation by Prime Minister Van Acker of a three-party government consisting of the Socialists, Liberals and Communists. The Christian Socialist party, the new name for the former Catholic Party, refused to accept portfolios in the new government. Minister de Voghel remains Minister of Finance as a technician without party affiliation.

Brussels, 2 April 1946.

MEMORANDUM

Re: Attitude of La Lanterne regarding the Bretton Woods Institutions

Less than one year ago La Lanterne was one of the most reactionary and unscrupulous dailies in Brussels. Some time between September and November 1945, La Lanterne was sold and its new owners have since followed a policy in support of the Van Acker Socialist Government, the Gutt monetary referas, and in general have adopted a political line somewhat similar to that followed by the Washington Post. In view of the more liberal attitude of La Lanterne, its reservations in the attached article concerning the Bretton Woods Agreements are interesting.

The article, which was taken from the April 2 issue of La Lanterne, notes that the votes electing Belgium's principal delegate at Savannah, Minister of State Camille Gutt, to the executive directorship of both the Bank and the Fund were extremely close due to the "defection" of the Dutch delegation. La Lanterne is undoubtedly referring in this connection to the informal understanding between the Belgians and the Dutch pursuant to which they were to pool their votes and elect a Hollander as executive director of the Bank and a Belgian as executive director of the Monetary Fund. (Please refer to my memorandum dated January 10, 1946, relating to the Belgian designation for Governor of the Monetary Fund and the International Bank, attachment No. 4 to my letter No. 55 dated January 14, 1946.)

Although the article expresses satisfaction that M. Gutt succeeded in gaining two executive directorships for Belgium at Savannah, it comments that this is no reason for unreserved optimism over the establishment of the Bretton Woods institutions. Recalling the hopes that were born in Belgium during the occupation when news of the Bretton Woods projects trickled through the German censorship in 1943, the article notes with a tone of disappointment that the real thing has turned out to be something quite different from what was expected. The article regrets among other things that the White plan, which it characterizes as too rigid to be truly efficacious, won out over the Keynes plan, which in its opinion was more flexible and therefore more promising. The Lanterne article remarks also that the quota allotted to Belgium was fixed far too low, which not only means that the facilities of the Fund will be of little aid to Belgium in covering its payments abroad, but also forces Belgium

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to incur the risk of seeing its gold reserves dwindle because of the provisions of an "insidious clause" providing for a long term redistribution of gold coverage on the basis of the quotas which have been allotted.

The Lanterns article regrets finally that Messrs. Gutt and Theunis, who were the principal Belgian delegates at Bretton Woods, did not furnish a detailed report to the country concerning the moral obligations which were assumed by the Belgians at Bretton Woods. The writer asks why in this instance M. Gutt has decided to adopt an attitude of such extreme and incomprehensible discretion, particularly when this has been so little characteristic of him in the past. The article nevertheless concedes that the Belgian interests in the Fund and the Bank will probably be well defended by M. Gutt.

The article comments with a note of resignation that perhaps the original hopes placed in the organizations born at Bretton Woods were too optimistic. It concludes with the observation that what is gained on the affirmative side is the acceptance of a certain international discipline, whereas the remainder would appear provisional and subject to revision.

(Initialed) MWM

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