

Treasury Department
Division of Monetary Research

Date..... May 1119

To: Mr. White
From: Mr. Bernstein

Casaday reports that the informal meeting in London was attended by him, by Waley, and a Russian observer. The meeting was not exciting. The consensus seemed to be that the currency question could not be decided until more was known of principles for relief, reconstruction, capital movements and trade.

MR. WHITE
Branch 2058 - Room 214½

FROM: American Embassy, London, England
DATE: May 7, 1943, 10 p.m.
NO.: 3201

This is a strictly confidential message from Mr. Casaday for the Secretary of the Treasury.

Reference is made to the following telegrams: Embassy's 3038 of May 1, midnight; Embassy's 3033 of May 1; Embassy's 2905, April 27, 11 p.m.; Department's 2537 of April 21, 5 p.m.; and Department's 2378 of April 14, midnight.

The Minister of Finance of Norway states that in addition to Mr. Ole Colbjornsen the following persons have been designated by him to make themselves available for technical discussions to the United States Treasury:

1. Professor Dr. Wilhelm Keilhau, who is a Director of the Bank of Norway;
2. Mr. Arne Sbaug, who is Chief of the Division of the Norwegian Ministry of Supply and Reconstruction as well as being Acting Leader of the Norwegian Social Insurance Office in New York.

Professor Keilhau will head the Norwegian delegation. As soon after May 12 as possible he will leave for the United States.

As yet Dr. J. Sutej, the Yugoslav Minister of Finance, has not indicated when he or Dr. N. Dimovic, his technical expert, plan to depart for Washington. These two make up the entire Yugoslav Ministry of Finance at London and today Dimovic told me that neither will be able to depart for ten days or a fortnight as yet since they are both busy supervising the printing of Yugoslav currency for post invasion and post war purposes. They expect to be completely occupied for that period of time.

Today the informal meeting of technical experts which Dr. Beyen of the Netherlands Government called was held. Reference being made to the Embassy's 2905, I am reporting herewith that I received from Beyen a second specific invitation which I accepted as an observer. Because of this, Waley decided that the meeting should be attended by the British also. At the meeting today, consequently, Fraser and Waley were both there as observers. Waley said he thought that it was better that we all had attended, after all.

Besides those mentioned above, representatives of Greece, Norway, Belgium, Luxembourg, Poland, Czechoslovakia, Yugoslavia and USSR also attended. (The representative of USSR was only an observer.) It may have been due to the presence of the US and UK observers that there were only very general discussions. Not at any time did they become a very searching analysis nor was there any detailed comparison of the two currency proposals. The consensus of opinion seemed to be that no commitments or final decisions with regard to the currency proposals could be made until the longer term problems concerning loans or other plans for relief and reconstruction, capital movements, policies for general trade and economics had been fully investigated and agreement as to some practical planning in these fields reached. The statements made in the FINANCIAL NEWS of May 1 which were reported in the Embassy's 3033 of the same date are somewhat confirmed by the presence of this sentiment at the meeting.

It was decided by the meeting that the memorandum prepared by Beyen and the minutes for today's meeting would be made available to Sir David Waley and me for transmission to Washington through our respective channels. A copy of Dr. Beyen's memorandum is now on its way to you by air pouch. As soon as a copy of today's minutes is received it will follow.

It is possible that the discussion at today's meeting might have been of a different character, if, as was suggested by Waley, the British observers and I had declined to attend. I have my doubts about this, although I must admit that the reason for calling the meeting at the present is not very clear. Representatives of at least three of the governments expressed their puzzlement concerning this to me during the past week and two more said the same thing today after the meeting.

WINANT

eh:copy
5-11-43

11111
Morgan

May 3, 1943.

Secretary Morgenthau

H. D. White

Subject: Response to Your Letter to Finance Ministers (See Dec. 17-162a)

The response to date to your letter to finance ministers asking them to study the Treasury's preliminary draft proposal for an International Stabilization Fund and to send technical experts to Washington for exploratory discussions has been as follows:

1. The technical representatives of two countries have already appeared and conversations have been held with them; Canada, Netherlands.

2. Discussions with Australia, Paraguay and the Phillipines are going forward this week.

3. Word has been received that technical representatives of the following countries are coming soon:

- | | |
|------------|----------------|
| Belgium ✓ | Czechoslovakia |
| Brazil | Greece |
| Chile | Luxembourg ✓ |
| China | Peru |
| Costa Rica | Poland |
| Cuba | Uruguay ✓ |

4. We have also had expressions of interest and announced intention to participate in discussions from the following countries:

- | | |
|-------------|--------------|
| Colombia | Nicaragua |
| Ecuador | Norway |
| Honduras | South Africa |
| New Zealand | Venezuela |

5. We have not yet heard from ten countries. They are as follows:

- | | |
|--------------------|-----------------------|
| Russia | ✓ Haiti → |
| Dominican Republic | India |
| El Salvador | Panama |
| Guatemala | Union of South Africa |
| Mexico | Yugoslavia |

5. 4 As. & Miss Chaucer for Secy.

We did not send a letter to Russia nor have we contacted them since Mr. Berle handed them a copy of the proposal several months ago.

6. At the suggestion of the State Department, last week we sent a copy of the proposal and a letter of invitation to the following countries:

- | | |
|----------|---------|
| Egypt | Iran |
| Ethiopia | Iraq |
| Iceland | Liberia |

We expect to hear from most of the remaining countries shortly, as some of them have had inadequate opportunity to receive and study your letter.

We also had suggestions of interest and requests to participate in discussions from the following countries:

- | | |
|-------------|----------------|
| Belgium | Denmark |
| France | Germany |
| Italy | Japan |
| Netherlands | Sweden |
| Switzerland | United Kingdom |

March 4, 1943.

Excellency:

I am sending for your examination a preliminary draft of a Proposal for an International Stabilization Fund of the United and Associated Nations. This draft was prepared by the technical staff of the United States Treasury in consultation with the technical experts of other departments of this Government.

The document is sent to you not as an expression of the official views of this Government but rather as an indication of the views widely held by the technical experts of this Government. I hope you will examine the draft and submit it for critical study by the technical experts of your Ministry and your Government. After you and your experts have had opportunity to study it, you may wish to send one or more of your technical experts to Washington to give me your preliminary reaction to the draft proposal, and to discuss with our technical experts the feasibility of international monetary cooperation along the lines suggested therein, or along any other lines you may wish to suggest. We are informed that the technical experts of the British Government have also been studying the question and will doubtless make their views available.

It seems to me that the enclosed draft proposal points the way to an effective means of facilitating through cooperative action the maintenance of international monetary stability and the restoration and balanced growth of international trade. It is my hope that as a result of unofficial discussion involving no commitments, we may find a sufficient area of agreement to warrant proceeding on a more formal basis.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

His Excellency, Juraj Satoj,
Minister of Finance,
Kingdom of Yugo-Slavia,
Kingston House,
Princes Gate, S.W. 7,
London, England.

Enclosure

HDW-ef 3/4/43

London, 16th April 1943

Ministry of Finance
Royal Yugoslav Government
57, Kingston House,
Princes Gate, S.W.7.

Dear Mr. Morgenthau,

Many thanks for your letter of the 4th March which, for some unknown reason, has only reached me today.

I was very interested to read the enclosed preliminary draft of a proposal for an international stabilization of currency which, I understand, is the way in which your experts suggest to solve the international currency problem.

As suggested by you, I am now asking my experts to study this plan so that I can obtain their views. I quite agree with you that we should all first give an opportunity to our technical experts to consider the plan before the Ministers of the United Nations proceed further with the matter.

I also note that you are of the opinion that my experts should have unofficial discussions with your experts, and I shall be glad to hear from you as to whether you have any special dates in mind in order to see whether I can fit things in. I am not in such a fortunate position as my other Allied colleagues are, in having sufficient technical staff at their disposal. I have only a skeleton staff and am, in addition, due to the long range importance of them, studying all currency matters myself. Also I am personally very keen about the proper attention and thought being given to them.

Expecting to hear from you, believe me to be.

Yours sincerely,

(Signed) Dr. J. Sutej

Finance Minister

Henry Morgenthau, Jr., Esq.,
Secretary of the U.S.A. Treasury,
Washington, D.C.,
U.S.A.

COPY

Yugo
May 18, 1943

Mr. Livesey

Mr. White

Please transmit the following message to the American Embassy, London.

"For Casaday from the Secretary of the Treasury.

"This is a message for Dr. Sutej, Minister of Finance, Yugoslavia.

"My dear Mr. Minister: I am gratified to learn of your interest in the Treasury's preliminary draft proposal for an International Stabilization Fund of the United and Associated Nations which you have asked your experts to study.

"The technical experts of this government are now engaged in bilateral exploratory discussions with the technical experts of other countries to hear their views and to secure their suggestions on the feasibility of international monetary cooperation to facilitate the maintenance of international monetary stability and the restoration and balanced growth of international trade. When the bilateral discussions are completed, there will be group meetings of the experts then available in Washington to synthesize the views expressed and to determine the area of agreement. If the discussions reveal a sufficient area of agreement to warrant the expectation of a successful outcome, a formal conference of Ministers of Finance will be called at a later date.

"It would be helpful if your technical experts would come to Washington as soon as possible to participate in these discussions.

Sincerely yours,

Henry Morgenthau, Jr."

EMB:lr
5/18/43

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out 5/19

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Y

Yugoslavia

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London, England
DATE: May 1, 1943, midnight
NO. : 3038

This is a message from Mr. Casaday for the Secretary of the Treasury.

Reference is made to the Department's nos. 2537 of April 21, 5 p.m. and 2372 of April 14, midnight.

According to a report from the Norwegian Minister of Finance, he has instructed the Financial Counsellor to the Norwegian Embassy in Washington, Mr. Ole Colbjornsen, to be at the disposal of the Treasury of the United States for discussions of a technical nature.

Dr. J. Sutej, the Yugoslav Minister of Finance, reports that he is investigating the matter and probably will let me know sometime next week when he can go to Washington. He said that he is very short of staff and he himself has been ill. Despite the information given in the Department's 2537, the substance of which I repeated to him, he said that for the above reasons he is awaiting a reply to his letter to you dated April 15 in which he asked whether he could arrange to go to Washington when circumstances here best allow or whether you had any special dates in mind.

FINANT

Copy:bj:5-3-43

Distributed to: Secretary (Mr. E.M. Bernstein); Mr. D.W. Bell (Mr. Dietrich); Mr. Paul; Mr. White (Mr. E.M. Bernstein-orig.); Mr. Taylor; Mr. Luxford; Miss Kistler; Mr. E.M. Bernstein

(From E. Hynes - Rm. 225)

TELEGRAM SENT

RF

PLAIN

May 22, 1943

AMEMBASSY

LONDON

5236, twenty-second

FOR CASADAY FROM THE SECRETARY OF THE TREASURY.

QUOTE This is a message for Dr. Sutsj,
Minister of Finance, Yugoslavia.

My dear Mr. Minister: I am gratified to learn of your interest in the Treasury's preliminary draft proposal for an International Stabilization Fund of the United and Associated Nations which you have asked your experts to study.

The technical experts of this government are now engaged in bilateral exploratory discussions with the technical experts of other countries to hear their views and to secure their suggestions on the feasibility of international monetary cooperation to facilitate the maintenance of international monetary stability and the restoration and balanced growth of international trade. When the bilateral discussions are completed

-2- 3236, May 22, to London

are completed, there will be group meetings of the experts then available in Washington to synthesize the views expressed and to determine the area of agreement. If the discussions reveal a sufficient area of agreement to warrant the expectation of a successful outcome, a formal conference of Ministers of Finance will be called at a later date.

It would be helpful if your technical experts would come to Washington as soon as possible to participate in these discussions.

Sincerely yours,
Henry Morgenthau, Jr.

UNQUOTE

HULL
(FL)

FD:FL:JD

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London, England

DATE: May 29, 1943, 11 p.m.

NO.: 3696

SECTION TWO.

The above letter was handed to me today at luncheon by Dr. Dimovic who wished to explain in part the "other matters" which are preventing Dr. Sutej and he from leaving for Washington. The fact that the Yugoslav Cabinet is having another of its periodic crises is, it seems, even more important than the paper currency matter referred to in my cable of May 7, 10 p.m., no. 3201. He referred me to Ambassador Biddle for the details while he explained in a general way the problems which are involved.

The story, much of which is strictly confidential, is very long and also very complicated. Because of this and also assuming that Ambassador Biddle has already reported most of it to Washington as it occurred during the past year or so, I am not going to try to repeat it now. It is sufficient to say that conditions in Yugoslavia are responsible for the difficulties. Nationality groups, racial differences, religions, political ideologies and language differences have developed in Yugoslavia a mutually overlapping and highly complex series of antagonisms. These antagonisms are also reflected in the Cabinet in London although the proportions in relation to those found in Yugoslavia are not necessarily the same. As a result the Cabinet here has an almost endemic tendency to Cabinet crises and at best is no more than an uneasy working alliance.

However, Dimovic said today that he hoped that at long last the present crisis might come to an end having made sufficient changes so that a fairly long period of relative unity and absence of disruptive friction will be possible, even though the basic, long-run problems involved would not be settled and must wait until after the war. He thought that after this "fairly permanent" adjustment has been settled satisfactorily, he or Dr. Sutej or both would be ready to leave for Washington. He also stated that both he and Dr. Sutej thought it would be useless to enter into any discussions under the present circumstances, because they did not know what the character of the government they would go back to afterwards would be.

WINANT

HB

PLAIN

London

Dated May 29, 1943

Rec'd 1:30 a.m.

Secretary of State,

Washington.

3696, May 29, 11 p.m.

FOR SECRETARY OF THE TREASURY FROM CASADAY.

Department's 3256, May 22.

I have today received the following letter from Dr. Sutej, Minister of Finance of the Yugoslav Government:

"I have received your letter dated twenty-fourth May in which you transmit Mr. Morgenthau's message from which I gather again that it would be helpful if experts could come to Washington as soon as possible.

Will you please inform Mr. Morgenthau that, as already explained, I fully appreciate his message but although am hoping to let you know the dates within a week or so, I am not yet in a position to do so today.

As you know I attach the greatest importance myself to this matter and, although I am still under hospital treatment, there are also other matters which are delaying me. But, as explained, I hope this will not be so for long".

WSB

WIMANT.

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

I regret that it was not possible for you to send technical experts to Washington for these discussions. The conversations already held have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

H. Morgenthau, Jr.

Secretary of the Treasury

His Excellency, Juroj Sutej,
Minister of Finance,
Kingdom of Yugoslavia,
Kington House,
Princess Gate, S.W. 7,
London, England.

Enclosure

EMB-ef 9/9/43

Oct. 6 B.M. 221

NOV 22 1943

Excellency:

In the memorandum accompanying the tentative draft proposal for an international stabilization fund, which I sent to the Ministers of Finance of the United Nations some months ago, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

The preliminary draft of a tentative proposal for a United Nations Bank for Reconstruction and Development has now been prepared by the technical staff of the United States Treasury in consultation with the technical staffs of other departments of this Government. The draft is designedly in abbreviated form, intended to bring out at this stage only the more significant points for consideration and discussion. This tentative proposal is not an expression of the official views of this Government, but it is an indication of the views held by our technical experts. I am now sending for your examination this tentative proposal, which I hope you will submit to the technical staffs of your Ministry and your Government for their study.

After you and your experts have studied this tentative proposal, I shall be glad to have such comments and suggestions as you may wish to make, or to receive any alternative proposal for the provision of long-term international credits for reconstruction and development that you may care to submit. If any of your experts should be in Washington, the technical experts of this Government will be glad to discuss the tentative proposal with them.

We hope to send you soon some further material amplifying and discussing many of the provisions in the outlined draft proposal.

Sincerely yours,

15/ H. Morgenthau, Jr.
Secretary of the Treasury

His Excellency, Ivo Cicin Sain,
Minister of Finance in the Government
of Yugoslavia,
Legation of Yugoslavia,
Cairo, Egypt.

Enclosure. HDW:RMB/jm 11/16/43

Recd. to R. 221

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ROYAL YUGOSLAV EMBASSY
Washington

February 24, 1944

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

Dear Mr. White:

According to recent statements made by the American press, the Government of the United States is making preparations for a United Nations Conference to work out a system for the stabilization of world currencies and other related problems. I would therefore be very grateful to you if you would give instructions which would facilitate my acquaintance with the problems in question. I am especially interested in your plan which was published April 4th of last year and the revised Treasury plan of August 19th, and any other material which you feel I should have.

In order to obtain this, I would suggest that you kindly give the necessary instructions to some member of your staff to receive Dr. Milorad Milovanovich, Economic Adviser to the Yugoslav Embassy, to whom this material and any other additional information may be given.

Very sincerely yours,

(signed) Constantin Fotitch

Constantin Fotitch
Ambassador of Yugoslavia

IF:AS

copied: jm: 3/4/44

MAR 4 1944

My dear Mr. Ambassador:

This is in reply to your letter of February 24, 1944, regarding the discussions by technical experts of the United Nations of the tentative proposals for international monetary cooperation.

In accordance with your request, there are enclosed copies of the draft proposals for an International Stabilization Fund and a Bank for Reconstruction and Development. If Dr. Milovanovich will call my office after he has looked over these proposals arrangements will be made for an appointment for him with a member of the Treasury staff.

Sincerely yours,

(Signed) H. D. White

H. D. White,
Assistant to the Secretary.

His Excellency,
The Ambassador of Yugoslavia,
Washington, D. C.

Enclosures

EMB:lr 3/3/44

Ret. to Am 221

MEMORANDUM FOR THE FILES:

Meeting in Mr. Bernstein's Office
March 21, 1944
2:30 P.M.

Present: Dr. Milorad Milovanovich and
Mr. Slovko Simick of Yugoslavia,
Messrs. Bernstein and Bittermann
of the Treasury.

Subject: International Stabilization Fund and the Bank for
Reconstruction

The discussion was entirely general. The Yugoslavian delegates raised the question of the consequence of suspension from membership in the Bank. Mr. Bernstein replied that neither the Bank nor the member governments could under those circumstances extend further loans to the suspended member, but that this would not prevent the granting of loans by private agencies in other member countries.

HJB:mww
3/22/44