

Peru

Luxford

From: Lima

March 14, 1946

Secretary of State, Washington

A-154, 3-14-46

Note No. M-6-3/70 dated March 7, 1946 received today from Peruvian Foreign Office formally advises that Dr. Francisco Tudela and Mr. Emilio G. Barreto are officially named as governor and substitute respectively of the International Monetary Fund; and that Engineer Carlos Montero Bernaldes and Mr. Jose Barrada Moller are named governor and substitute respectively of the International Bank of Reconstruction and Development.

The note adds that the Peruvian Embassy in Washington has informed the Department of the designation of these delegates and of their credentials.

Dr. Tudela who, as stated in the Embassy's telegram No. 266 of March 8, 6 p.m. was unable to attend the Wilmington Island meetings, is still in Lima. There is no indication of when, if at all, he may be well enough to depart for the Conference.

PANLEY

March 25, 1946

cc: Glasser, Luxford, Nikesell, Benstein, Eddy, Gunter, Harns, Brenner,
Collins, F. Hebbard.

Luxford

DEPARTMENT OF STATE

INCOMING TELEGRAM

2216

PLAIN

Lima

Dated March 6, 1946

SECSTATE

253, Sixth

Dr. Francisco Tudela has declined because of illness membership on Peruvian delegation to Wilmington Island conference. Will cable name of his replacement when known.

PAWLEY

MRM

PLAIN

cc: 3/12/46 Messrs. Glasser, Luxford, Mikesell, Bernstein, Eddy, Gunter, Horne, Brenner, E. Hebbard

Notes on Peru's Financial Position, with Special
Reference to the I. M. F.

I. Peru's quota in the International Monetary Fund is \$25 million and its subscription in the Bank for Reconstruction and Development is \$17.5 million.

II. The following table sets forth the gross gold and foreign exchange resources of the Banco Central de Reserva del Peru for the years 1938 - September, 1945:

| End of period | Soles (000's) | | | | Conversion rates | | | U. S. Dollars (000's) | | | | |
|------------------|----------------------|---------------|---------------------|---------|---------------------|-------|-------|-----------------------|---------------|--------|-------------------------------|--------|
| | Gold (Intangible) | other Gold | Foreign Exchange | Total | Intang. | Other | Exch. | Intan- gible | Other Gold | Total | For- sign Ex- change | Total |
| 1938 | 38,785 | 7,065 | 5,526 | 51,376 | 2.1105 | 4.843 | 4.95 | 18,377 | 1,459 | 19,836 | 1,116 | 20,952 |
| 1939 | 38,785 | 8,659 | 4,525 | 51,969 | " | 5.527 | 5.78 | " | 1,566 | 19,943 | 783 | 20,726 |
| 1940 | 38,785 | 10,974 | 10,323 | 60,082 | " | 6.309 | 6.50 | " | 1,739 | 20,116 | 1,588 | 21,704 |
| 1941 | 38,785 | 18,641 | 11,830 | 69,256 | " | 6.327 | " | " | 2,946 | 21,323 | 1,820 | 23,143 |
| 1942 | 38,785 | 41,289 | 49,658 | 129,732 | " | 6.301 | " | " | 6,553 | 24,930 | 7,594 | 32,947 |
| 1943 | 38,785 | 82,064 | 29,624 | 150,473 | " | " | " | " | 13,024 | 31,401 | 4,558 | 35,999 |
| 1944 | 38,785 | 85,920 | 19,549 | 144,254 | " | " | " | " | 13,636 | 32,013 | 3,008 | 35,647 |
| 1945 June | 38,785 | 61,166 | 27,965 | 127,916 | " | " | " | " | 9,707 | 28,084 | 4,300 | 32,381 |

\$18.4 million of the total gold holdings of \$28.1 million represents a special reserve fund entitled "Oro Intangible" concerning which the Peruvian delegation at Bretton Woods made a reservation in its statement to the effect that the gold set aside in this fund

"cannot be taken into account, either for the purpose of estimating Peru's quota and its proportion to be paid in gold, or for use in any of the operations of the Fund, or to cover any contingent or eventual liability of Peru if it ceases to be a member or if the Fund is liquidated."

Peru's payment in gold to the Fund, calculated as 10% of its net official holdings of gold and U.S. dollars, will be \$3.2 millions if this reservation is not allowed and \$1.4 million if it is.

III. From June 1940 - January, 1945, a "Gentleman's Agreement" was in effect between the Peruvian Central Bank and the commercial banks whereby the sol was maintained at 6.50 soles per dollar by voluntary rationing

of exchange for necessary imports and services. In January, 1945 formal exchange control was instituted with the announcement by the Minister of Finance that advance import permits would henceforth be required and the further regulation that export permits would be granted only on proof that all exchange arising from such transactions had been sold to the Central Reserve Bank. It is reported that these exchange, import, and export controls are being rigorously enforced. The sol has remained at 6.50 per dollar where it was pegged by the Gentlemen's Agreement in June, 1940.

IV. The following table reports briefly the current items of the International Balance of Payments of Peru for the years 1938 - 1944:

(Millions of Soles)

| <u>Year</u> | <u>Trade Balance</u> | <u>Interest & Dividends</u> | <u>Other Service Items</u> | <u>Net Balance, excluding Capital Items</u> | |
|-------------|----------------------|---------------------------------|----------------------------|---|----------------|
| | | | | <u>Soles</u> | <u>Dollars</u> |
| 1938 | ₺ 70.1 | - 118.5 | ₺ 12.6 | - 35.8 | - 5.5 |
| 1939 | ₺ 119.6 | - 110.8 | ₺ 9.9 | ₺ 18.7 | ₺ 2.9 |
| 1940 | ₺ 89.7 | - 100.7 | ₺ 9.1 | - 1.9 | - .5 |
| 1941 | ₺ 140.4 | - 102.7 | - 17.4 | ₺ 20.3 | ₺ 3.1 |
| 1942 | ₺ 221.7 | - 107.0 | - 10.7 | ₺ 104.0 | ₺ 16.0 |
| 1943 | ₺ 125.6 | - 99.5 | - 9.2 | ₺ 16.9 | ₺ 2.6 |
| 1944 | ₺ 109.6 | - 104.0 | - 14.0 | - 8.4 | - 1.3 |

"Peruvian Law No. 7526 of 18th May 1932, which suspended the free conversion of the currency into gold, provided that the gold reserves existed at that time, viz: 16,338.71115 kilos of gold, valued by law at 38,784,832.53 Peruvian Soles, were to be earmarked and kept in custody by the Central Reserve Bank, and were not to be used in any way or manner, nor were to be encumbered, mortgaged or given as a guarantee, nor were ever to become liable to seizure or disposal in any contingency whatsoever. ("Oro intangible" in the original Spanish wording of that Law.) Consequently, the gold thus set aside by Law 7526 cannot be taken into account, either for the purpose of estimating Peru's quota and its proportion to be paid in gold, or for use in any of the operations of the Fund, or to cover any eventual liability of Peru if it ceases to be a member or if the Fund is liquidated."