

June 23, 1961

My dear Guindey:

First of all--somewhat belatedly I am sorry to say--I do want to thank you so much for the very kind reception you gave to my wife and me and to the other representatives of the I.M.F. during our visit to Basle for the B.I.S. Annual Meeting. May I in particular thank you for arranging the luncheon on the Friday before the meeting began. Gold and I found our discussions at that luncheon most stimulating and useful and we are very grateful to you.

Although I have only been back in Washington just over a week, I am leaving again on Sunday for another short visit to Europe--Paris, Bonn and Frankfurt, and London. As a result I have had to concentrate a great deal of work into the few days that I have been here. I have, however, thought carefully about the contents of your letter of the 16th June. It would certainly be embarrassing for us to invite a representative of the Banque d'Etat de la République Populaire Roumaine to the Fund/Bank Annual Meeting, when we have had to refuse requests for invitations from so many old friends. I am, therefore, inclined, in the circumstances in which the approach has been made, not to make any reply, directly or through your good offices. May I thank you, however, for offering to ask Raznoni to indicate our reply when he visits Bucharest at the end of September.

You may be interested to see the full text of the talk I gave for the Basle Centre on the 12th June, and I am enclosing a copy.

With many thanks again for all your hospitality and with my best wishes to you and your colleagues at the B.I.S., I am

Yours ever,

Per Jacobsson

Mr. Guillaume Guindey
Bank for International Settlements
Basle, Switzerland

Enclosure

Copy to Mr. Horne

BANQUE DES REGLEMENTS INTERNATIONAUX

LE DIRECTEUR GÉNÉRAL

BÂLE, le 16 juin 1961

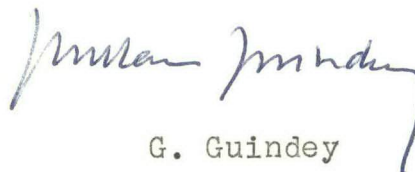
Cher ami,

En prenant congé de moi à la suite de notre Assemblée générale, M. Emeric Deutsch, Vice-Président de la Banque d'Etat de la République Populaire Roumaine, m'a dit qu'il serait heureux qu'un représentant de sa Banque puisse assister à la réunion du Fonds Monétaire à Vienne au mois de Septembre. Je lui ai répondu que la question n'était pas de ma compétence, mais de la vôtre. Comme vous étiez parti, je lui ai promis de vous faire part de son désir.

Pouvez-vous me dire quelle réponse je dois lui donner? Je n'ai naturellement aucune objection à ce que, si vous le jugez opportun, vous lui répondiez directement.

Je ne me dissimule pas ce que cette demande peut avoir d'embarrassant. Une solution est de ne pas répondre. Je vous signale que Rainoni doit se rendre à Bucarest à la fin de septembre. Il pourrait au besoin à ce moment donner une indication verbale.

En vous redisant le plaisir que j'ai eu à vous voir ici ces jours derniers avec Mrs. Jacobsson, je vous prie de me croire, cher ami, fidèlement à vous.



G. Guindey

Mr. Per Jacobsson
Managing Director
International Monetary Fund
Washington 25, D.C.

December 1, 1960

My dear Guindeg:

I think it might be useful if I gave you some indication of the latest position on the Yugoslav question. I also wrote to Dr. Holtrop yesterday.

I have heard from the State Department that it seems likely that the Germans will provide a total of \$35 million in assistance to Yugoslavia. Now that some commitment in one form or another has been made, it is expected that other countries should be willing to firm up their own promises of assistance to Yugoslavia. I think that the State Department will therefore now approach the various countries again, with the intention of reaching definite decisions.

We were very glad to hear that the B.I.S. will provide facilities for a conference in Basle, and I think that the State Department will propose that such a conference should be called for Friday, 9th December. As you know, Germany and Italy are likely to make the largest contributions amongst the European countries, and as Germany has no diplomatic relations with Yugoslavia, I imagine that the choice will fall on Italy--and I suppose Mr. Carli--to chair the meeting.

With the assistance to be provided by the United States and the Fund, it looks as if the Yugoslavs are likely to obtain something like \$270 million to assist them in the introduction of their exchange reform program. Having been concerned in the elaboration of this program, we in the Fund are naturally pleased that they should be able to go ahead with it. However, as the Yugoslavs had allowed for total assistance of \$340 million, the program will have to be somewhat modified, and Mr. Ferras has gone to Belgrade to help in the preparation of the new program.

I hope Mr. Ferras can also attend the meeting in Basle. He should be able to give any explanations of the Fund's point of view that may be necessary, and perhaps, if required, to supplement what the Yugoslavs will themselves have to say. I should however stress, as I have stressed before, that where "parallel" credit arrangements for the benefit of a member country have been made by the Fund and other countries or institutions, each party considering the extension of credit should make its own decision on whether or not to make its funds available, and on what terms. Ferras' probable presence at the meeting in Basle should not be construed in any way as derogating from this principle. But as we agreed when we talked about this matter here in Washington on the Saturday after our Annual Meeting, this will certainly not preclude us from exchanging useful information about the Yugoslav exchange reform.

We have had a remarkably busy period since the Annual Meeting, and as you might have gathered from the newspapers, we have not been unaffected by the dollar situation! We are looking forward to the long-awaited move to Article VIII, which I hope will not be delayed much longer. It would certainly be disappointing if some countries did not move before the end of the year. If the Yugoslav reform could also be put into effect on the 1st January, as originally planned, we would be extremely pleased--and also grateful for the help that the B.I.S. is able to give in this connection.

With my very best wishes, I am

Yours ever,

Per Jacobsson

Mr. Guillaume Guindeg
General Manager
Bank for International Settlements
Basle, Switzerland

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FOR PREPARING OFFICER

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SPECIAL INSTRUCTIONS

INTERNATIONAL MONETARY FUND
WASHINGTON 25, D.C.

To: Guindey
Interbank, Basle (Switzerland)

Thank you for your cable. I have now received letter from Holtrop and appreciate the attitude taken by the BIS. Hope to write you early next week.

Jacobsson

Dr. By Mr. Jacobsson

Department Managing Director

Date Nov. 10, 1960

AUTHORIZATION Per Jacobsson

Signature

Per Jacobsson

Second Signature When Required

FOR CODE ROOM

Time Received 6:20 PM

Time Dispatched 6:30 PM

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DO NOT TYPE BELOW THIS LINE

October 28, 1960

Dear Guindeg:

I am afraid that more than two weeks have passed since I received your letter of the 11th of October, for which I thank you. You will probably have heard that steps have been taken in various capitals by the State Department to seek to get together European financial assistance for the exchange reform in Yugoslavia, in addition to the amounts which would be provided by the Fund and the United States. Quite a number of countries have shown willingness to participate in the general effort to assist the reform, but there are still difficulties to be overcome. Talks are continuing, and the final answers have, I think, generally to be given by the highest political authorities in each country, i.e., by the Cabinet.

It seems to me most likely that financial assistance will be arranged, and I hope that the B.I.S. will play a role in that connection. One idea is, as you know, that some countries would make special deposits (for perhaps four or five or six years) with the B.I.S., and the B.I.S. would then transmit the amounts as needed to the National Bank of Yugoslavia. Those who make the deposits would have to carry the whole risk for the transaction, and this means that they would only be repayed when Yugoslavia repayed the B.I.S. This seems to me to be a fairly simple technical arrangement, but there may be other possibilities.

In addition, the B.I.S. could be a coordinating body for credits granted in other forms (as export credits or otherwise). This coordination would merely amount to totalling all forms of assistance granted by European countries, and keeping track of the use of this assistance by Yugoslavia. This would be, I take it, essentially statistical work, but it would have the advantage that one total figure would be arrived at for the contribution of the European countries. It might not be necessary to announce that figure; there seem even to be reasons (connected perhaps primarily with what Germany might contribute) for not making any announcement either of the total or the individual contributions. All that is needed is that the Yugoslav authorities should have the assurance that certain assistance will be made available to them. The Germans, as you know, fear that participation in assistance to Yugoslavia, with which Germany has no diplomatic relations, would give other countries the idea that they also might obtain credits from Germany, even if they were to recognize Eastern Germany, in which case their diplomatic relations with Germany would presumably be suspended. As far as Germany is concerned, there is of course a great difference, on the one hand, between participation in an internationally approved plan for an exchange reform, and, on the other, the possible granting of bilateral credits. So, from that point of view, it is to be hoped that Germany will not hesitate to participate in this particular case.

I have been busy with a variety of questions largely relating to Latin American countries. A week ago I made a speech at Harvard, having been invited to give the Gustav Pollak Lecture for this year. I was there, however, for only half a day because I wanted to come back to Washington in view of all the excitement about the gold price on the London market. It seems to me valuable that it was announced that the Americans and British got together and discussed the matter. The more it is known that the monetary authorities keep in close contact with each other, the more hesitation will be felt by would-be buyers of gold.

If there are any particular questions you would like to put to me don't hesitate to write. I have today written a letter to Holtrop very much on the same lines.

With every good wish,

Yours sincerely,

Per Jacobsson

Mr. Guillaume Guindeg
General Manager
Bank for International Settlements
Basle, Switzerland

BANQUE DES REGLEMENTS INTERNATIONAUX

LE DIRECTEUR GÉNÉRAL

BÂLE, le 11 octobre 1960

Mon cher Jacobsson,^{N/A}

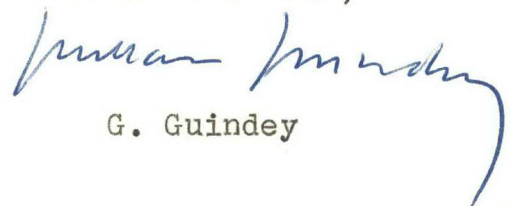
Je vous remercie de votre lettre du 7 octobre au sujet de la Yougoslavie.

Comme je vous l'ai dit au cours de notre conversation sur cette question à Washington, mes collègues de la Direction de la Banque et moi-même comprenons parfaitement l'utilité que pourrait avoir une intervention de la B.R.I. dans les crédits qui seraient accordés à la Yougoslavie par différents pays européens et nous allons immédiatement étudier, à la lumière de nos statuts et des exemples du passé, quelles formules nous pourrions proposer. Naturellement, comme je vous l'ai dit, la décision appartiendra au Président de la Banque, à qui je n'ai pu parler jusqu'ici de la chose que d'une façon préliminaire, et il est probable que le Dr. Holtrop désirera consulter ses collègues du Conseil d'administration.

Je ne serai donc pas en mesure de vous donner une réponse avant la prochaine réunion de notre Conseil, qui aura lieu le Lundi 7 novembre. Mais je vous promets que nous ne perdrons pas de temps pour étudier la question et que nous irons, dans la voie de la coopération, aussi loin qu'il nous paraîtra possible et raisonnable de le faire.

Cela a été un grand plaisir pour moi de vous revoir à Washington et je tiens à vous remercier, ainsi que Mrs. Jacobsson à qui je vous demande de présenter mes hommages, de votre si gentille hospitalité.

Fidèlement à vous,



G. Guindey

Mr. Per Jacobsson
Managing Director
International Monetary Fund
Washington 25 D.C.

19/14/60
Copy sent to Mr Ferras

October 7, 1960

My dear Guindeg:

I am writing just a few lines to tell you that we here in Washington are actively pursuing the matter of assistance to Yugoslavia, and that it looks more and more likely that the B.I.S. will be asked to play an important--and a most useful--role in the matter. If the authorities in Germany, Italy, and some other countries give the assistance which is now envisaged, they will very likely want to do so by making deposits in the B.I.S. The B.I.S. could then transmit the money to the Yugoslav authorities, and the deposits could be repaid when Yugoslavia repays the B.I.S.

I think this is the technical arrangement which we discussed in outline when we met here in Washington. There may be other possibilities, but this is the kind of arrangement that I think has been under consideration so far.

I believe that the Swiss and Austrians, and the Dutch, and maybe some other countries, will be asked to make similar deposits for the benefit of Yugoslavia. I have no way of telling whether they will do so or not. It seems that the French and the British would prefer to provide assistance by means of export credits. Whatever form the assistance might take, I think that the B.I.S. could be a kind of coordinating body for all the assistance. This, among other things, would make a total figure to be obtained for Europe, and it would be of great advantage if this total figure for Europe would be somewhat higher than the amount provided by the United States. After all, Yugoslavia is a European country, with the bulk of its trade and relations with other European countries. The State Department is no doubt active in the matter.

I have today had a Board Meeting with three stand-by arrangements on the agenda--for Uruguay, Paraguay, and Iran--so I have had many other countries to think about than Yugoslavia, but we hope very much that something can be done fairly speedily, and the purpose of this letter is just to warn you not to forget this problem, and to carefully consider what you think the B.I.S. can suitably do.

As I say, the matter is urgent. For many reasons it is important that exchange reform could become effective from the 1st of January next, and for technical and other reasons it would indeed be desirable that decisions about aid to Yugoslavia be taken in the next two or three weeks. All the technical work has already been done, so the remaining decisions are just a question of deciding whether assistance should be given or not. In all these matters we here in the Fund try to exclude political considerations and regard the problems from a technical point of view. It cannot

be denied that it would be a gain for Western Europe if Yugoslavia could be included in the multilateral system of trade and payments with a sound currency and a unitary rate of exchange.

Forgive this somewhat rambling letter, and

With every good wish, I am

Yours ever,

Per Jacobsson

Mr. Guillaume Guindeg
Manager
Bank for International Settlements
Basle, Switzerland

Copy sent to Mr. Ferris 10/14/60

140/60

BANK FOR INTERNATIONAL SETTLEMENTS

THE GENERAL MANAGER

BASLE,

14th January 1960

30-09481

Orig: Mr. Jacobsson
cc: Mr. Cochran
Mr. Ferras
Mr. Gold
Mr. Del Canto

By Air Mail

Mr Per Jacobsson,
Managing Director and Chairman
of the Board of Executive Directors,
International Monetary Fund,
Washington 25, D.C.

Dear Jacobsson,

With reference to my cable of today's date I enclose for your information a copy of the letter which we have sent to the Banque de l'Union Parisienne informing them of our position with regard the Argentine credit.

Yours sincerely,

G. Guindeg
G. Guindeg

Enclosure: 1

le 14 janvier 1960

Par exprès

A la Direction
de la Banque de l'Union Parisienne,
6, Boulevard Haussmann,
P a r i s

A l'attention de Monsieur le Directeur A. Avon

Messieurs,

Comme suite à votre lettre du 24 décembre 1959 et à nos entretiens avec votre Sous-Directeur, M. Boutinard, nous avons l'honneur de vous faire savoir que le Fonds Monétaire International, aux termes des communications qu'il nous a adressées, ne peut accepter le mécanisme envisagé dans l'affaire du crédit argentin. Selon les règles générales qu'il s'est fixées, le Fonds Monétaire International ne peut donner à des tiers des informations quant aux droits de tirage dont dispose un pays membre.

Le Fonds Monétaire International laisse, en revanche, entendre que, si les autorités argentines le lui demandent, il pourrait examiner la possibilité de leur adresser une lettre "stating Argentina's legal position as at the date of the letter, with respect to access to the Fund's resources under the stand-by arrangement. The letter could also state the amounts drawn and still available." Les autorités argentines seraient libres de disposer de cette lettre comme elles l'entendent, notamment de la transmettre soit directement, soit indirectement, aux banques intéressées au crédit argentin.

Le mécanisme suggéré par le Fonds Monétaire International diffère évidemment de celui envisagé avec l'ensemble des banques intéressées. Dans ces conditions, nous ne pouvons que leur renvoyer l'affaire, en leur laissant le soin d'approcher, si elles le jugent opportun, les autorités argentines en vue de trouver avec le Fonds un arrangement satisfaisant.

Nous restons à votre disposition pour reprendre ultérieurement l'étude de cette affaire, au cas où il serait possible de trouver une formule de coopération du Fonds Monétaire International permettant la mise en oeuvre du plan envisagé avec l'ensemble des banques intéressées.

Copie de la présente lettre est adressée, pour son information, au Fonds Monétaire International.

Veillez agréer, Messieurs, l'assurance de notre considération très distinguée.

BANQUE DES REGLEMENTS INTERNATIONAUX

(Sgd) GUINDEY

(Sgd.) FERRARI

Directeur Général

Secrétaire Général

HG/lj

27

May 28, 1959

Dear Guindey:

I have been so busy since my return from the American Bankers Association's Monetary Conference in London at the beginning of this month that I have left it a little late to write and tell you that I would very much appreciate it if you would welcome to Basle for the B.I.S. Annual Meeting the following members of the Fund's staff:

Mr. Gabriel Ferras, Director of the European Department

Mr. J. J. Polak, Director of the Research and Statistics Department

Mr. J. P. Sallé, Acting Director of the Fund's European Office

Mr. Guy de Moubray, My Personal Assistant

They will all be arriving at different times and from different directions, but will stay in Basle until Tuesday, except Mr. Polak who has to return Monday morning for a meeting in Geneva. It will be--as always--a valuable experience for them, and I hope they can be fitted in without too much difficulty.

I myself am arranging to arrive in Basle via London late on Wednesday, June 3, and expect on this occasion to spend in Basle all my time in Europe, returning to Washington in the afternoon of Friday, June 12.

Looking forward to seeing you all, I am

Yours ever,

Per Jacobsson

M. Guillaume Guindey
General Manager
Bank for International Settlements
Basle, Switzerland