

JAN 24 1961

Dear Mr. Rooth:

In response to your inquiry about the so-called Bretton Woods formula for quotas, I think the best I can do is to send you a copy of Oscar Altman's article in Staff Papers entitled "Quotas in the International Monetary Fund." I need not remind you that quotas are not necessarily determined finally by the precise application of this formula. Other factors are taken into account, such as the quotas of countries in roughly similar circumstances or in the same geographical area. For example, it would perhaps be relevant, assuming that the question of a quota for Kuwait arose, to bear in mind the quota of Iraq, \$15 million, and of Saudi Arabia, \$55 million. In view of certain factors in the Bretton Woods formula, it would be extremely difficult to make any intelligent guess as to the size of the quota which Kuwait might be offered, assuming it to be eligible for membership in the Fund. What I can say with certainty is that there is now a Fund policy under which countries for which the Bretton Woods formula would result in a figure below \$11.25 million can choose to have a quota of \$11.25 million.

On your question with respect to the I.B.R.D. mission, I have spoken to some people in the Bank, and I have been told that they have assumed Kuwait to be covered by the U.K. membership in the Bank, and that the request for a mission to Kuwait would be concurred in by the United Kingdom.

I don't know how useful you will find the foregoing information, but if there is anything further that you would like me to do, please let me know.

Yours very sincerely,

Joseph Gold

Mr. Ivar Rooth  
Norrviksvägen 3  
Lidingö 3  
Sweden

JGold/mjl Jan. 24/61

cc: Mr. Jacobsson  
Mr. Cochran  
Mr. H. Costanzo  
Mr. Horne

DEC 22 1960

cc: Mg. Dir.  
Dep. Mg. Dir.  
TRE  
MED  
LEG  
SEC

Dear Mr. Rooth:

I was very pleased to get your letters and to hear of your appointment to the new Currency Board of Kuwait. It should be a most interesting and, I am sure, successful undertaking. I need hardly add that I will do anything that I can to help.

However, that does embarrass me somewhat, because on the question of membership in the Fund for Kuwait I must sound a note of caution. You will recall Article XX, Section 2(g) of the Fund's Articles:

"By their signature of this Agreement, all governments accept it both on their own behalf and in respect of all their colonies, overseas territories, all territories under their protection, suzerainty, or authority and all territories in respect of which they exercise a mandate."

Our view of this provision, and the Bank's view of their identical provision, has always been that the territories thus described are not eligible for independent membership in the two institutions. This view has been strictly adhered to in a number of cases that have arisen in practice, even where the territory in question was wholly self-governing in its domestic, including monetary, affairs. You may recall at least one of these cases during your own time as Managing Director.

Now, it has been my understanding that Kuwait has been a "protected state" of the United Kingdom. It is difficult to be certain that we have all the relevant material on its international status, and I do not want to be dogmatic on this, but I repeat that I had always regarded Kuwait as being, at least in the recent past, a territory covered by Article XX, Section 2(g). As evidence of this there is the fact that the United Kingdom has concluded treaties on behalf of the Sheik of Kuwait, an example of which is the Agreement for Friendship and Neighbourly Relations between the Sheikdom of Kuwait and the Kingdom of Saudi Arabia, signed at Jeddah on April 20, 1942. The United Kingdom has also made the application of the GATT

effective for Kuwait, as a result of which this territory is listed among the members as ("Kuwait: The Sheikdom of Kuwait: Protected State"). Similarly, when Kuwait became a member of the International Civil Aviation Organization on May 18, 1960, the instrument of acceptance was deposited through the British Embassy.

For your own information, you should know that some months ago I was approached on the question of Kuwait's eligibility for membership in the Fund through the office of the British Executive Director in the Fund. My reply then was along the same lines as my reply to you now. I added that if the British Foreign Office legal advisers held a different view, I would be very interested to hear what it was. I have not yet received any indication of their views.

In these circumstances, I am not yet responding to your other questions. However, if you would like to receive the information concerning quota calculation and presentation of gold subscription at this stage, please let me know and I will do my best to send it to you promptly.

Ruth joins me in sending you, Mrs. Rooth and Ellen our most cordial greetings of the season.

Yours very sincerely,

Joseph Gold

Mr. Ivar Rooth  
Norrsvägen 3  
Lidingö 3  
Sweden

JGold/mjl December 22, 1960



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حكومة الكويت

GOVERNMENT OF KUWAIT

دائرة المالية والاقتصاد

DEPARTMENT OF FINANCE & ECONOMY

هاتف

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بدالة

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بدالة

Phone

President 4774

Exch. 2021

Exch. 2026

Ref.

اشارة

Kuwait 7th December, 1960 كويت

Orig. & Encl: LEG  
cc. letter: Mg. Dir.  
Dep. Mg. Dir.  
TRE  
MED  
SEC

Mr. J. Gold,  
General Counsel,  
International Monetary Fund,  
Washington, 25, D.C.  
U. S. A.

Dear Joe,

I have lately been appointed a member of the new Currency Board of Kuwait. Kuwait is contemplating to become a member of the Fund and the Bank. Rucinski was here the day I arrived and had for a week been discussing the possibility of the Bank mission.

Before taking any decision on whether to join the Bretton Woods organisation the Kuwaitis of course want to know whether you are likely to admit them. They must also have an idea about their quota, how much they have to pay in gold and local currency to the Bank and the Fund, etc.

I know that in order to make a preliminary computation of the quota you need some statistical material. As I have not brought with me anything about the Fund I would be glad if you by return of mail would inform the Secretary of the Currency Board, Mr. R.H. Turner, C/o the Department of Finance and Economy, P.O. Box 9, 526 Kuwait, what is needed and let me have a copy of your letter to him.

You will find enclosed a copy of the Amiri Decree setting up the Currency Board. There are two external members of the Board - Claude Loombe, the Bank of England Adviser on the Near East, and myself. We are elected for a three-year period.

Our next meeting will probably be held here about January 20th. Therefore, if it is possible I shall be



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هاتف  
الرئيس 4774  
بدالة 2021  
بدالة 2026

Ref. ..... اشارة ..... Kuwait 7th December 1960 ..... كويت

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grateful for a reply reaching me before January 15th.

I do not expect any decision to be taken on the subject at the next meeting but I would like then to be able to give them some more information thus enabling the Government to make up their mind. Another meeting is foreseen for the middle of March. Thereafter the Board is not likely to meet until some time in November 1961.

I have told <sup>you</sup> the Chairman in a letter before I left Sweden that I was going to Kuwait. You might also have heard about it from the Bank.

Ingrid is with me here and we join in the kindest regards to you and your family and to all our friends.

Yours ever,

*Ivar*  
(IVAR ROOTH)

Encl: Amiri Decree.

P.S. Our next meeting will be held about February 25th. I do hope that you will be able to let me have an idea of the probable quota of Kuwait by about January 31st in a letter to my home in Sweden.



March 14, 1957

Dear Ivar:

In addition to my letter to you of the 12th inst., I ought to send you the following extract referring to Mr. Lie's retirement allowance appearing in the note prepared for me:

" Mr. Lie's retirement allowance has been treated as free from tax by the Norwegian authorities. No formal exchange of views took place between Norway and the U.N. on this matter, though the U.N. Legal Department provided Mr. Lie in April 1953 with an informal opinion 'that the legal character of the payment and the background of the General Assembly action favoured the treatment of the annual retirement allowance as exempt from national income taxation.' The matter was negotiated privately by Mr. Lie with the Norwegian authorities and the ground, on which they have refrained from taxing his retirement allowance, is not known to the U.N. It may be a particular provision of Norwegian tax law or an exercise of an administrative discretion by the Norwegian authorities or their interpretation of Section 18 of the General Convention on Privileges and Immunities of the United Nations."

I do not see why you should not let the Swedish authorities on taxation know what has been the informal opinion of the U.N. Legal Department furnished to Mr. Lie in April 1953.

Hoping that everything is well, and with best wishes, I am

Yours ever

Per Jacobsson

Mr. Ivar Rooth  
Karlavaegen 29  
Stockholm, O.  
Sweden



# Office Memorandum

Confidential

TO : The Managing Director *Pf.*

FROM : General Counsel

SUBJECT : Pension payments to Mr. Rooth

DATE: March 6, 1957

1. The delay in dealing with the question raised in Mr. Rooth's letter to you has been due to the need to make some inquiries at the United Nations, the result of which will be described below.

2. Pension payments to Mr. Rooth consist of

- (1) pension paid out of the Staff Retirement fund, and
- (2) a supplemental sum paid monthly out of the Fund budget, equal to the difference between (1) and the pension, to which he would have been entitled, had all his Fund services been participating services under the Staff Retirement Plan.

3. The question arises whether either the pension or the supplemental sum are tax exempt under Article IX, Section 9(b)<sup>1/</sup> of the Fund Agreement, or Section 19<sup>2/</sup> of the General Convention on the Privileges and Immunities of the Specialized Agencies, which has been accepted by Sweden.

4. The correct approach to Article IX, Section 9(b) is not to ask whether "salaries and emoluments" include pension, or other benefits, received by a retired Fund official, but to observe that tax exemption, being designed to secure for the Fund staff independence from governments and equal conditions of service, is available during Fund service only.

Therefore, whatever the precise meaning is of "salaries and emoluments", tax exemption cannot be taken to have been granted for any payments received after service with the Fund has ceased, unless it be a sum, such as accrued salary, already due and payable.

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<sup>1/</sup> Art. IX, Sec.9(b): "No tax shall be levied on or in respect of salaries and emoluments paid by the Fund to executive directors, alternates, officers or employees of the Fund who are not local citizens, local subjects, or other local nationals."

<sup>2/</sup> Section 19 of the General Convention on the Privileges and Immunities of the Specialized Agencies: "Officials of the specialized agencies shall ....(b) Enjoy the same exemptions from taxation in respect of the salaries and emoluments paid to them by the specialized agencies and on the same conditions as are enjoyed by officials of the United Nations."



In my opinion therefore neither pension nor the supplemental sum at the termination of service are tax exempt under Article IX, Sec.9(b) because

- (1) they are paid to Mr. Rooth after termination of his Fund service, and
- (2) in any event, Mr. Rooth being a Swedish national, resident in Sweden, is a "local national" whom Sweden is free to tax under the Section.

5. Mr. Rooth asks in effect whether he is entitled to the same freedom from tax as that enjoyed by Mr. Lie in Norway on the ground that Fund officials are accorded by Section 19 of the General Convention the same tax privileges as U.N. officials.

It is well established, both by interpretation and the practice of member states, that Section 19 does not extend tax immunity to benefits paid out of staff pension funds. Therefore that part of Mr. Rooth's pension, which is paid out of the Staff Retirement Fund, is not in my opinion tax exempt.

6. The question remains whether the supplemental sum paid to him has the benefit of Section 19. It is here that a comparison with Mr. Lie's annual retirement allowance is made. This retirement allowance was granted to Mr. Lie by the U.N. General Assembly Resolutions<sup>3/</sup>; it was a condition of his service and of his receipt of the retirement allowance that, on his retirement, no Member would offer, and he would not accept, any governmental appointment, in which his confidential information might be a source of embarrassment to other Members. There is then this factual difference that Mr. Lie's retirement allowance was granted in part in consideration of a restriction upon his freedom in retirement, while the supplemental sum received by Mr. Rooth is paid, not as a condition of service, but as a reward for past service, there being no continuing obligation undertaken by him in return.

7. Mr. Lie's retirement allowance has been treated as free from tax by the Norwegian authorities. No formal exchange of views took place between Norway and the U.N. on this matter, though the U.N. Legal Department provided Mr. Lie in April 1953 with an informal opinion "that the legal character of the payment and the background of the General Assembly action favoured the treatment of the annual retirement allowance as exempt from national income taxation." The matter was negotiated privately by Mr. Lie with the Norwegian authorities and the ground, on which they have refrained from taxing his retirement allowance, is not known to the U.N.

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3/ XII.I paragraph 4 (24 January 1946); and XII.3 paragraph 31 (13 February 1946).



It may be a particular provision of Norwegian tax law or an exercise of an administrative ~~discretion~~ <sup>discretion</sup> by the Norwegian authorities or their interpretation of Section 18 of the General Convention on Privileges and Immunities of the United Nations."

If the decision is based on some element of Norwegian law or administration, it has no relevance at all to the present issue. If it rests upon an interpretation by Norway of Section 18 of the U.N. General Convention, it still does not bind the Fund or Sweden. The agreement on privileges and immunities established under the U.N. Convention between the U.N. and Norway is wholly distinct, as far as interpretation and enforcement goes, from that established under the Specialized Agencies Convention between the Fund and Sweden. Further, the same considerations apply to Section 19 of the Specialized Agencies Convention as to Article IX, Section 9(b): that is to say, the purposes of the Fund in the field of immunities and privileges are served if serving Fund officials only are exempted from tax. So long as Sweden does not fail to apply the Convention in this way, the Fund is not concerned. In my opinion, the supplemental sum is paid to Mr. Rooth by way of pension after termination of service and as an addition to that paid out of the Staff Retirement fund; it is a post-service payment which does not have the benefit of tax immunity.

March 12, 1957.

Dear Ivar:

I am afraid it has taken some time for me to answer your letter regarding the taxation of your pension and I am also afraid that the reply I am now able to send you will not help you very much.

Fawcett has made a very thorough study and I enclose the substance as drafted by him. He thinks it is for the individual countries to decide and the only thing I can suggest is that you inform the Swedish authorities about the precedent created in the case of Trygve Lie's pension, asking the Swedish authorities to extend the same tax exemption in your case. I do not see why they should not.

Here we are still very busy with several requests from Latin American countries. The amounts are sometimes not very large but the investigation of the problems often takes as much time in the case of a small country as in that of a large one.

This has been what is considered, I am told, a very unpleasant winter here in Washington with little sun shine but today we seem to have the first spring day with quite lovely weather. You may have heard that Irving Friedman has been operated on for a bleeding ulcer. He was very ill indeed and the doctors even feared for his life but now is much better and can even receive visitors. Mr. Frost has also fallen ill and he too has had an operation which we hope will restore his health but in his case, we have not yet any definite statement from the doctors.

Violet and I send you both our best wishes, and I am

Yours ever

Per Jacobsson

Mr. Ivar Rooth  
Karlqvagen 29<sup>I</sup>  
Stockholm, Sweden



Draft Reply to Mr. Rooth

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As regards your question about taxation of your pension payments, we have gone into it fully and have consulted the U.N. about Mr. Lie's retirement allowance. I believe that the position can be best stated in this way:

- (1) in our opinion, tax exemption under the Fund Agreement and section 19 of the Specialized Agencies Convention is confined to payments received or due during Fund service, that is to say, exemption cannot be claimed under these various provisions from tax on retirement benefits paid after termination of service;
- (2) It is not known here or in the U.N. what the precise ground is upon which the Norwegian authorities refrain from taxing Mr. Lie's retirement allowance; if the ground is some provision of Norwegian tax law or practice, it is not, we think, relevant at all to your problem. If however, the ground is Norway's interpretation of the Convention on Privileges and Immunities of the United Nations, we do not think that such an interpretation could bind either Sweden or the Fund in their application between themselves of the Specialized Agencies Convention, or require the Fund to alter the view of Section 19 expressed above.

INTERNATIONAL MONETARY FUND

25 February 1957

TO : Mrs. Hamilton

FROM: J. Elmer Lundquist



I forwarded the carton of tea by sea parcel post and the postage amounted to \$2.15. I would appreciate it if you would secure this amount from Mr. Friis, account of Mr. Rooth.



copy

February 20, 1957

To: Mrh

From: Charles M. Powell  
Payments to Mr. Rooth

The payment to Mr. Rooth from the Staff Retirement Plan is governed by the rules of the Pension Committee which stipulate that payment must be made in dollars. Dollar cheques for his monthly payment from the Plan of \$86.53 can be sent to him or deposited to his account with the Bank of Sweden or any other bank he designates.

If he wishes, his supplementary payment from the Fund (\$141.67) can be paid in kronor to ~~his~~ his account with the Bank of Sweden.

Would you please ask Mr. Rooth to advise the Office of the Treasurer if he wants to change the present arrangement under which we are depositing his two cheques in his account at the Riggs National Bank?

cc: Mr. Thorson

copy

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