

H. K. v. Mangoldt-Reiboldt
Dr. Jur.
President and German Member of
the Managing Board of the
European Monetary Agreement
Paris

Paris XVI, July 9, 1959
5, Rue Leonard de Vinci

German Alternate Governor
of the International Monetary
Fund, Washington

Mr. Per Jacobsson
Managing Director
International Monetary Fund
19th and H Streets, N.W.
Washington 25, D.C.

Dear Mr. Jacobsson:

Thank you very much for your letter of July 2. I hope as you do that the frequently rather difficult deliberations in Madrid will be the basis for a successful implementation of the Spanish stabilization program.

I have been here in Paris three days once again to try to round up the necessary funds. Decisions on how the funds are to be raised and in what amount have not yet been issued in the capital cities.

After the organization's mission had prepared its written report, the position of the Managing Board and the Steering Board for Trade has in the meantime come up for discussion. The discussion of Spanish membership in the organization is making progress, and is apparently not meeting with difficulties of any kind. This afternoon there is to be a meeting of the heads of delegations at which further procedure is to be established in detail. The Managing Board meets again on the 15th and 16th to supplement its report and make proposals on the structure of the total credit to be granted Spain and the conditions of the credit.

At the moment it looks as if the decision on Spanish membership and the extension of credit will be made between the 17th and the 20th. The organization will, however, stay in close touch with you or Mr. Salle so that the timing of the decisions on both sides can be coordinated. I am fully in agreement with your suggestion that it is especially important to arrange for this coordination, particularly for newspaper announcements as well.

Since we are still in an interim stage in our work here, I should like to limit myself to these brief remarks just now. I have no doubt that in the next few days the reciprocal voting will lead to a friendly definition of the joint action.

Cordially yours,

/s/ v. Mangoldt

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File

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cc In Fern
MD

H. K. v. MANGOLDT-REIBOLDT

DR. JUR.

Präsident und Deutsches Mitglied des Direktoriums
des Europäischen Währungs-Abkommens, Paris

Deutscher Vizegouverneur des Internationalen
Währungsfonds, Washington

PARIS XVI, 9. Juli 1959

5, Rue Leonard de Vinci

Tel. Kleber 0344/47, FS. 20618 Germania Paris

MÜNCHEN 3

Deutsche Bank AG

Lenbachplatz 2, Telefon 55 83 81, FS. 052 3327

Mr. Per Jacobsson
Managing Director
International Monetary Fund
19th and H Streets, N.W.
Washington 25, D.C.

Lieber Herr Jacobsson!

Ich danke Ihnen sehr vielmals für Ihre freundlichen Zeilen vom 2.7. Ich hoffe ebenso wie Sie, dass die manchmal nicht ganz leichten Überlegungen in Madrid die Basis sein werden für eine erfolgreiche Durchführung des spanischen Stabilisierungsprogramms.

Ich war jetzt nochmals 3 Tage hier in Paris, um mich zu bemühen, die notwendigen Beträge zusammenzubringen. Die Entscheidungen, wie die Beträge aufgebracht werden und in welcher Höhe, sind in den Hauptstädten bisher noch nicht gefallen.

Nachdem die Mission der Organisation ihren schriftlichen Bericht erstattet hatte, liegt in der Zwischenzeit schon die Stellungnahme des Managing Board und des Steering Board for Trade vor. Die Behandlung der spanischen Mitgliedschaft in der Organisation macht Fortschritte und stösst augenscheinlich nicht auf Schwierigkeiten irgendwelcher Art. Heute nachmittag ist eine Sitzung der heads of Delegations, in der die weitere Prozedur im einzelnen festgelegt werden wird. Der Managing Board tritt am 15. und 16. wieder zusammen, um seinen Bericht noch zu ergänzen und Vorschläge über die Zusammensetzung des Spaniens zu gewährenden Gesamtkredites und seiner Bedingungen zu machen.

Im Augenblick sieht es so aus, dass die Entscheidung der spanischen Mitgliedschaft und der Kreditgewährung zwischen dem 17. und 20. erfolgt. Die Organisation wird aber engen Kontakt mit Ihnen bzw. Herrn Sallé halten, damit die beiderseitigen Beschlüsse zeitlich koordiniert werden können. Ich schliesse mich Ihrem Vorschlag voll und ganz an, dass es besonders wichtig ist, diese Koordinierung insbesondere auch für die Presseveröffentlichungen vorzusehen.

Da wir uns in unserer Arbeit hier noch in einem Zwischenstadium befinden, möchte ich mich auf diese kurzen Ausführungen zunächst beschränken. Ich zweifle nicht, dass in den nächsten Tagen die gegenseitige Abstimmung zu einer freundschaftlichen Festlegung des gemeinsamen Vorgehens führen wird.

In diesem Sinne bin ich mit freundlichen Grüßen

stets der Ihre

v  The handwritten signature is written in blue ink and appears to be 'Raufahr'.



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6/19/58

H. K. v. MANGOLDT-REIBOLDT

Dr. Jur

President and German Member of the Managing
Board of the European Payments Union, Paris

Alternate Governor for Germany of the
International Monetary Fund, Washington

Paris XVI, June 13, 1958
5, Rue Leonard de Vinci

Mr. Per Jacobsson
Managing Director and Chairman of the
Board of Executive Directors
19th and H Streets, N.W.
Washington 25, D.C.

Dear Mr. Jacobsson:

In accordance with our discussions, I should like to continue to keep you personally informed on the opinions of the Managing Board in connection with the development of the French situation. Therefore, the impressions I received of the discussions at the latest Board meeting are given below.

The Board refrained, on the occasion of the extension of EPU, from making proposals to the Council on the further treatment of special credits to France. As you know, the release of the second tranche of US\$70 million of the special credit (totalling US\$150 million) and the release of the yet unused part of about US\$52 million of the ralonge credit (totalling US\$100 million) require an affirmative (unanimous) decision of the OEEC Council. The reason for the postponement is three-fold: the Board wants to wait for the issue of the Government loan announced for June 16 and the statement by the Government of the lines to be followed in its economic and financial policy, which is expected in this connection. Another provisional report of the Government on the execution of the budget and the reorganization program is also due on June 30. This report, instead of being submitted to Parliament, which in the meantime will adjourn for vacations, will be submitted to the competent Parliamentary Committee, which continues to exercise its functions. Finally, France's intentions in the field of import policy, which will influence the attitude of individual countries in regard to the release of the second tranche of the French special credit, will probably become more evident by the beginning of July. Therefore, the EPU Managing Board notified the Council that it will announce its position in regard to the French situation and the extension of the credit arrangements by July 15.

At this meeting Mr. Calvet gave the Board only one report on the most recent developments. According to this report, France's balance of payments position became even more acute in the month of May, for reasons not the least of which was the earlier political crisis, while the internal situation was seemingly only slightly affected by the political events. The foreign trade deficit for May, according to recently available information, will exceed even the disappointing April results, since exports, as before, did not come up to expectations. As a result of strong speculative movements, the deficit was even more pronounced in the field of payments. The gold and foreign exchange reserves have reached the low point of last autumn; and international financial aid available at the beginning of this year has been largely used up. The volume of imports cannot be reduced to any appreciable extent without repercussions on the internal economic situation, and therefore further import restrictions could not in any case solve the problem. An increase in exports can hardly be expected because of the recent disparity between the French price level and the price/level abroad. This disparity has almost regained the dimensions of the period preceding the devaluation in August 1957.

In spite of this further deterioration, the Board is not convinced that there is an immediate threat to France. Indeed, the foreign exchange reserves still amount to approximately US\$640 million, to which may be added--subject to extension by the OEEC Council--the EPU credit facilities still remaining of approximately US\$120 million. An absorption of the excess liquidity of the French economy by the planned Government loan could, moreover, especially if supported by further measures by the Banque de France to restrict credit, lead to an essential easing of the French balance of payments situation, and give the French Government time to take strong measures for carrying out the stabilization program.

The EPU deficit in May amounted to 76.6 million units of account; however, the actual deficit was 117 million units of account, since not less than 31 million units of account were financed by "ratissage" operations, i.e., by Stabilization Fund indebtedness at commercial banks. France showed a deficit of US\$10.5 million vis-à-vis the dollar area in May, in contrast to the not inconsiderable surpluses of the preceding months. Whether this involves an actual dollar deficit or whether dollars were used to buy transferable currency and reduce an EPU deficit that was actually even higher could not be ascertained. In any case, the deficit of the global balance of payments amounted to US\$127.8 million in May (against only US\$46 million in the preceding month and surpluses of an average US\$20 million in the first two months of the present year). According to Mr. Calvet's information, the speculative movements have decreased somewhat in the first days of June; however, France's EPU position showed an accounting deficit of approximately 24 million units of account as of June 10.

The May deficit in EPU of 76.6 million units of account has been settled by France as follows:

(in millions of dollars,
rounded)

- 19 (i.e., 25 per cent) by drawing on the ralonge credit;
- 23 by a further drawing on the first tranche of the special credit, which has thus been used in full (80 million units of account) and will not permit further drawings in the month of June;
- 34 by cash payment (to be made as indicated below).

Moreover, Mr. Calvet announced that France will shortly draw the remaining US\$66.25 million of its International Monetary Fund stand-by credit, of which US\$30 million will be a drawing in deutsche mark. The deutsche mark equivalent of this US\$30 million will be used by France for settlement of her total cash payment obligation of US\$34 million to EPU in accordance with Article 14, Section b 2, of the EPU Agreement (i.e., instead of a gold payment). The remaining amount of the International Monetary Fund drawing after settlement of the EPU deficit will be added to the foreign exchange holdings of the Stabilization Fund.

The foreign exchange available to France after the settlement of the May deficit in EPU is as follows:

US\$575 million	Gold holdings of the Banque de France	
US\$70 million	Liquid resources of the Stabilization Fund	
US\$70 million	Second tranche of the EPU special credit) utilizable up
) to the end of
US\$48.5 million	Remaining amount of the ralonge credit) 1958, subject
) to the express
) approval of OEEC

In addition, the Bank for International Settlements has again offered credit facilities--at very short term, it is true.

However, by the end of June France will have to raise more than US\$20 million from available cash resources in order to service the debt vis-à-vis the United States (without the extensions granted by the United States in January as part of its international financial aid, the amounts due would be considerably higher).

In contrast to the balance of payments situation, the budgetary and credit situation is relatively satisfactory from the French point of view. The public budget even showed a surplus of F 13 billion during the first four months of 1957, against a deficit of F 245 billion during the same period last year. This favorable result--aside from the high public revenues which are benefiting by the continuous expansion and the rise in prices--is due to delays in public expenditures. In May, however, according to Mr. Calvet, public expenditures were considerably accelerated, which may continue during the coming months and lead again to rather high cash deficits. Moreover, the Government will probably exceed the estimated

military expenditures in the immediate future. However, it still intends not to allow the deficit ("impasse") to rise over the estimated figure of F 600 billion.

In spite of the favorable budgetary situation during the first four months of this year, the Government was forced to resort to central bank credits. The paradox can be explained by drawings on the so-called "Correspondents Accounts," i.e., by the peculiar role of the budget as banker in France.

With respect to the credit sector, Mr. Calvet was of the opinion that the volume of gold and credit was as stable as before, something that can now no longer be explained by purely seasonal reasons.

As to general economic developments, the French authorities expect a weakening of the expansion not later than the early autumn of this year.

The Board discussed at length the "mystery" of how it is possible in France, in spite of credit restrictions and a stable money supply, to finance internally a continued strong monetary expansion and a relatively high level of imports. It came to the conclusion that French production and price levels are still in the processing of growing into the larger "liquidity jacket" resulting from the inflation of 1956/57. This process could still last for a long time, and it is not to be expected that a further expansion of French production and a further rise in the French cost level (wage increase !) would come up against internal financing difficulties any time soon. An increase in the velocity of circulation would do its part in postponing that time.

I assume that our Board discussions, the essential content of which I have reproduced above, would perhaps interest you in connection with the conversations I had the pleasure of having with you in Washington. We now expect the next announcement concerning the lines of the future economic policy, which Mr. Pinay will soon give in a speech. They may be known to you before you receive this letter.

I thank you again for the kind reception in Washington. I was happy to have seen you again. I should be very grateful if we could keep up our personal exchange of ideas in the future.

With cordial regards, I remain

Very truly yours,

/s/

H. K. v. Mangoldt-Reiboldt

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on 6/17/58 mpt

H. K. v. MANGOLDT-REIBOLDT

DR. JUR.

Präsident und Deutsches Mitglied des Direktoriums
der Europäischen Zahlungsunion. Paris

Deutscher Vizegouverneur des Internationalen
Währungsfonds. Washington

PARIS XVI, den 13. Juni 1958

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MÜNCHEN 3

Deutsche Bank AG

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Mr. Per JACOBSSON,
Managing Director and Chairman
of the Board of Executive Directors,
International Monetary Fund,
19th and H Street, N.W.
WASHINGTON 25, D.C.

Lieber Herr Jacobsson!

Wie wir besprochen haben, möchte ich Sie auch weiterhin persönlich über die Auffassungen im Managing Board im Zusammenhang mit der Entwicklung der französischen Lage auf dem laufenden halten. Deshalb folgen im Nachstehenden die Eindrücke, die ich von den Verhandlungen in der letzten Board-Sitzung habe.

Der Board hat davon abgesehen, dem Rat bereits aus Anlass der EZU-Verlängerung Vorschläge über die weitere Behandlung des Sonderkredits an Frankreich zu machen. Bekanntlich bedarf die Freigabe der 2. Tranche von 70 Mio \$ des (insgesamt 150 Mio \$ betragenden) Sonderkredits und die Freigabe des noch nicht ausgenutzten Teils von rund 52 Mio \$ des (insgesamt 100 Mio \$ betragenden) Rallongekredits eines positiven (einstimmigen) Beschlusses des Rates der OEEC. Der Grund für den Aufschub ist dreifacher Art: Der Board will die Auflegung der für den 16. Juni angekündigten Staatsanleihe und die in diesem Zusammenhang erwartete programmatische Erklärung der Regierung hinsichtlich ihrer Wirtschafts- und Finanzpolitik abwarten. Auch ist am 30. Juni ein weiterer Zwischenbericht der Regierung über die Durchführung des Budgets und des Sanierungsprogramms fällig, der statt dem inzwischen auf Ferien gegangenen Parlament dem zuständigen Parlamentsausschuss unterbreitet werden soll, der nach wie vor seine Funktionen ausübt. Schliesslich dürfte bis Anfang Juli grössere Klarheit über die französischen Absichten auf dem Gebiet der Einfuhrpolitik bestehen, die die Haltung einzelner Länder hinsichtlich der Freigabe der 2. Tranche des französischen Sonderkredits beeinflussen wird. Das EZU-Direktorium kündigte dem Rat daher seine Stellungnahme zur französischen Lage und zur Verlängerung der Kreditvereinbarungen bis zum 15. Juli an.

M. Calvet gab dem Board in dieser Sitzung nur einen Zwischenbericht über die jüngste Entwicklung. Danach hat sich, nicht zuletzt als Folge der zurückliegenden politischen Krise, im Monat Mai die Zahlungsbilanzsituation Frankreichs weiter zugespitzt, während die innere Lage durch die politischen Ereignisse anscheinend nur wenig berührt worden ist. Das Aussenhandelsdefizit für den Monat Mai wird nach bisherigen

Informationen das enttäuschende April-Ergebnis noch übertreffen, da die Ausfuhren unverändert hinter den Erwartungen zurückbleiben. Infolge starker spekulativer Bewegungen war die defizitäre Entwicklung auf dem Gebiet des Zahlungsverkehrs noch ausgeprägter. Die Gold- und Devisenreserven haben den Tiefststand vom Herbst des Vorjahres erreicht, und die internationale Finanzhilfe vom Beginn dieses Jahres ist zu einem grossen Teil verbraucht. Das Einfuhrvolumen kann ohne Rückwirkungen auf die innere Konjunktur nicht mehr nennenswert komprimiert werden, und weitere Importrestriktionen stellen in jedem Fall daher keine Lösung des Problems dar. Eine Exportsteigerung ist wegen der neuerlichen Disparität zwischen dem französischen und dem ausländischen Preisniveau, die fast wieder das Ausmass der Zeit vor der Abwertung im August 1957 erreicht hat, kaum zu erwarten.

Trotz dieser weiteren Verschlechterung hielt der Board eine unmittelbar Bedrohung für Frankreich nicht für gegeben. Die Devisenreserven betragen immerhin noch rund 640 Mio \$; hinzu kommen - vorbehaltlich ihrer Verlängerung durch den Rat der OEEC - die noch verbliebenen Kreditfazilitäten in der EZU von rund 120 Mio \$. Eine Abschöpfung der Überliquidität der französischen Wirtschaft durch die beabsichtigte Staatsanleihe könnte überdies, ganz besonders wenn sie durch weitere kreditrestriktive Massnahmen der Banque de France unterstützt wird, zu einer spürbaren Erleichterung auch der französischen Zahlungsbilanzsituation führen und der französischen Regierung Zeit geben, durchgreifende Massnahmen zur Erfüllung des Stabilisierungsprogramms zu ergreifen.

Das ausgewiesene EZU-Defizit im Monat Mai betrug 76,6 Mio RE, das tatsächliche Defizit hingegen 117 Mio RE, da nicht weniger als 31 Mio RE durch Ratissage-Operationen, d.h. durch Verschuldung des Ausgleichsfonds bei den Geschäftsbanken, finanziert wurde. Gegenüber dem Dollarraum wies Frankreich im Monat Mai ein Defizit von 10,5 Mio \$ aus, im Gegensatz zu nicht unbeträchtlichen Überschüssen in den Vormonaten. Ob es sich hierbei um ein echtes Dollardefizit handelt oder ob diese Dollarbeträge für den Kauf von transferablen Währungen und damit zur Reduzierung eines tatsächlich noch höheren EZU-Defizits Verwendung fanden, konnte nicht geklärt werden. In jedem Fall betrug das Defizit der globalen Zahlungsbilanz im Monat Mai 127,8 Mio \$ (gegenüber nur 46 Mio \$ im Vormonat und im Vergleich zu Überschüssen von durchschnittlich etwa 20 Mio \$ in den beiden ersten Monaten des Kalenderjahres). In den ersten Tagen des Juni haben sich nach Auskunft von M. Calvet die spekulativen Erscheinungen etwas vermindert; die französische EZU-Position wies jedoch per 10.6. ein Rechnungsdefizit von rund 24 Mio RE aus.

Das Mai-Defizit in der EZU von 76,6 Mio RE wird von Frankreich wie folgt ausgeglichen:

(in runden
Mio \$)

- 19 (d.h. 25%) durch Ziehung auf den Rallongekredit;
- 23 durch eine weitere Ziehung auf die erste Tranche des Sonderkredits, die damit voll in Anspruch genommen ist (80 Mio RE) und keine weiteren Ziehungen im Monat Juni erlaubt;
- 34 durch Barzahlung (wie im Nachstehenden auszuführen sein wird).

M. Calvet kündigte ferner an, dass Frankreich in diesen Tagen den Restbetrag von 66,25 Mio \$ seines IWF-Standby-Kredits abziehen wird, davon 30 Mio \$ durch eine Ziehung in DM. Den DM-Gegenwert dieser 30 Mio \$ wird Frankreich zur Regelung seiner insgesamt 34 Mio \$ betragenden Barzahlungsverpflichtung gegenüber der EZU gemäss Artikel 14 Abs. b 2 des EZU-Abkommens (d.h. an Stelle einer Goldzahlung) verwenden. Den nach Ausgleich des EZU-Defizits verbleibenden Restbetrag seiner IWF-Ziehung wird es den Devisenbeständen des Stabilisierungsfonds zuführen.

Die französischen Devisenverfügbarkeiten nach dem Ausgleich des Mai-Defizits in der EZU belaufen sich wie folgt:

575	Mio \$	Goldbestand der Banque de France	
70	"	"	liquide Mittel des Stabilisierungsfonds
70	"	"	2. Tranche des EZU-Sonderkredits
48,5	"	"	Restbetrag des Rallongekredits
			} ausnutzbar bis Ende 1958 vorbehaltlich } ausdrücklicher Zu- stimmung der OEEC

Ausserdem hat die Bank für Internationalen Zahlungsausgleich erneut allerdings nur sehr kurzfristige Kreditfazilitäten angeboten.

Aus den baren Disponibilitäten wird Frankreich Ende Juni jedoch mehr als 20 Mio \$ für den Schuldendienst gegenüber den USA aufbringen müssen (ohne die von den USA im Januar als Teil der internationalen Finanzhilfe gewährten Stundungen wären diese Fälligkeiten noch erheblich höher).

Im Gegensatz zu der Zahlungsbilanzlage ist die Budget- und Kreditlage nach französischer Auffassung relativ zufriedenstellend. Der öffentliche Haushalt verzeichnete während der ersten vier Monate des Jahres 1957 sogar einen Überschuss von 13 Mrd ffcs im Gegensatz zu einem Defizit von 245 Mrd ffcs im gleichen Zeitraum des Vorjahres. Dieses günstige Ergebnis ist - abgesehen von den hohen öffentlichen Einnahmen, die von der fortdauernden Expansion und der Preishausse profitieren - auf Verzögerungen in der öffentlichen Ausgabebetätigkeit zurückzuführen. Im Mai hingegen hat nach Auskunft von M. Calvet eine wesentliche Beschleunigung der öffentlichen Ausgaben stattgefunden, die sich in den kommenden Monaten fortsetzen dürfte und wieder zu grösseren Kassendefiziten Anlass geben wird.

Ausserdem dürften vor allem die Ansätze für die Militärausgaben in nächster Zeit durch die Regierung überschritten werden. Dennoch bleibe es weiterhin das Ziel der französischen Regierung, das Defizit ("impasse") nicht über die veranschlagte Ziffer von 600 Mrd ffrs steigen zu lassen.

Trotz der in den ersten vier Monaten dieses Jahres günstigen Budgetlage hat der Staat auf Kredite der Notenbank zurückgreifen müssen. Dieser Widerspruch erklärt sich aus Abzügen auf den sogenannten "Korrespondenten-Konten", d.h. der in Frankreich eigentümlichen Rolle des Haushalts als Bankier.

Bezüglich des Kreditsektors vertrat M. Calvet die Ansicht, dass das Geld- und Kreditvolumen unverändert stabil sei, was in diesem Zeitpunkt nicht mehr mit lediglich saisonalen Gründen erklärt werden könne.

Hinsichtlich der allgemeinen Wirtschaftsentwicklung rechnen die französischen Stellen mit einer Abschwächung der Expansion spätestens im Frühherbst dieses Jahres.

Der Board diskutierte des längeren das "Mysterium", wie es in Frankreich möglich ist, trotz Kreditrestriktionen und stabilem Geldvolumen eine unverändert starke Wirtschaftsexpansion und ein relativ hohes Einfuhrniveau intern zu finanzieren. Er kam zu der Auffassung, dass das französische Produktions- und Kostenniveau noch immer im Begriff ist, in die durch die Inflation der Jahre 1956/57 "ausgeweitete Liquiditäts-Jacke" hineinzuwachsen. Dieser Prozess könne noch längere Zeit andauern, und es sei keineswegs zu erwarten, dass eine weitere Ausdehnung der französischen Produktion und weitere Erhöhung des französischen Kostenniveaus (Lohnsteigerung!) schon in Kürze auf interne Finanzierungsschwierigkeiten stossen werde. Eine Erhöhung der Umlaufgeschwindigkeit täte das ihrige, diesen Zeitpunkt noch länger hinauszuschieben.

Ich nehme an, dass unsere Board-Besprechungen, deren Inhalt ich im Obenstehenden im wesentlichen wiedergegeben habe, Sie vielleicht interessieren würde, im Anschluss an die Unterhaltungen, die ich die Freude hatte, in Washington mit Ihnen zu führen. Wir sind nun in Erwartung der nächsten Verlautbarungen über die Richtlinien der künftigen Wirtschaftspolitik, die M. Pinay in diesen Tagen in einer Rede darstellen wird. Diese werden Ihnen ja bekannt sein, bis Sie diesen Brief erhalten.

Ich danke Ihnen nochmals für die freundliche Aufnahme in Washington. Es war mir eine Freude, Sie wieder einmal gesehen zu haben. Ich wäre Ihnen sehr dankbar, wenn wir unseren persönlichen Gedankenaustausch weiter aufrechterhalten könnten.

Mit freundschaftlichen Grüßen bin ich, lieber Herr Jacobsson,

Ihr Ihnen aufrichtig ergebener

✓ 

May 9, 1958

Dear Dr. von Mangoldt:

I have been meaning to write you for some time but when I heard that you would be visiting us here in Washington I postponed my letter. I now understand from Dr. Hanemann that you will only be here by the end of the month. I hope sincerely that it will be possible for yourself, and perhaps the Hanemanns and some others, to have dinner with my wife and me.

There are, of course, a number of problems that we have to discuss, and in particular, I should say the Turkish problem. You will probably have heard from Dr. Emminger with whom I discussed this matter at length here in Washington; he also talked to Mr. Sturc. Emminger will have told you that we are sending a staff team to Turkey sometime in the second half of June, within the framework of our regular Article XIV Consultations schedule. If it is agreeable to you, the team will be instructed to stop over in Paris on its way to Ankara, in order to coordinate the Fund's approach with that of the OEEC.

I believe it is your opinion, as it is mine, that it is essential that the two organizations, the OEEC and the IMF, should keep each other fully informed in order to ensure that our attitude towards the Turkish negotiators will follow similar lines. The more I look at the problem, the more difficult it seems and it will surely be necessary for the Turkish Government to swallow some bitter pills if they are to restore order to their economic and financial system.

As Emminger may have told you, he and I are particularly worried as I suppose you are too, about the large accumulation of commercial arrears and the amount of trading debts maturing in the next few years. It seems necessary that some competent person in each of the creditor countries take this matter in hand and I wonder whether each of the governments involved should not designate a particular official or other person for this purpose. These various persons might be in contact with each other and, as Emminger put it, become a kind of Ad Hoc Committee. Their task, as I see it, would be to explore the possibility of funding these debts on the assumption, of course, that a program were adopted by Turkey which would give the creditors a satisfactory assurance that a prompt remittance system would avoid the recurrence of new commercial arrears.

You will probably have dealt with this and other problems at the meeting of the Managing Board but I thought even so that I might mention them to you now, since your journey here has been somewhat delayed.

You will find enclosed a speech I made last month at the meeting of the Economic and Social Council of the United Nations. To some extent, this speech had to be a review of what had happened in the Fund in the last 12 months and I referred in particular to the statements made by yourself and Mr. Thorneycroft at the Annual Meeting of the Fund last September. I think you can take great pride in your contribution to that meeting for the effects on the market were even more rapid and satisfactory than anybody could have expected in advance.

Hoping that you keep well in spite of much work, and looking forward to seeing you, I am

Yours sincerely

Per Jacobsson

Dr. H. K. v. Mangoldt-Reiboldt
Lenbachplatz 2
Munich 3, Germany

5, rue Leonard de Vinci
Paris X^{VI}e

INTERNATIONAL MONETARY FUND

Ernest.

Could the boss have your
comments on the attached
draft letter to von Weizsäcker.

John

U thinks it is excellent.

S.

Mr. de Moubay

5/1/58

Suggested points to be included in a letter to Mr. von Mangoldt

1. Expression of satisfaction at the message suggesting that in dealing with the Turkish problem the Managing Director and Mr. von Mangoldt should resume informal personal correspondence which was found so fruitful in the French case.
2. That the Managing Director discussed at length the substance of the subject with Mr. Emminger who, no doubt, will give Mr. von Mangoldt full account of the views prevailing in Washington on the Turkish problem.
3. Nevertheless, the Managing Director wishes to confirm that the Fund is sending a staff team to Turkey sometime in the second half of June, within the framework of its regular Article XIV Consultations schedule.
4. The team will be instructed to stop over in Paris on its way to Ankara in order to coordinate the Fund's approach with that of the OEEC which might emerge on basis of the forthcoming EPU Managing Board's discussions in May.
5. It is the firm conviction of the Managing Director that in dealing with the Turkish problem it is essential that both organizations should keep each other fully informed in order that their attitude toward the Turkish negotiators, while constructive, should on all points be equally firm at all times. The Managing Director believes that it is only thus that we can hope that the Turkish Government will resign itself to swallowing some of the bitter pills which are necessary for Turkey to take in order to righten the situation.

and short-term credits
 b. As regards - women, we a
 great deal -
 some kind of machinery -
 a person occupied
 in contact with central bank

The impression has been given
 that numerous ~~essential~~ tools the new
 capabilities for the Turks to help ^{clear up the}
 to turn to - how not Daffan then ~~feel~~

USA

Q 70 - 100 billion = a year - 10% A.

50% -
50% in Europe

Future

~~10%~~ = short-term

pipe line =

7 M F	+ 30
E P H	+ 70
	<u>100:-</u>

US = long-term money

more than certain

develop

1) E. dev. F.

2) Eurobank

Summary

activation of debt =

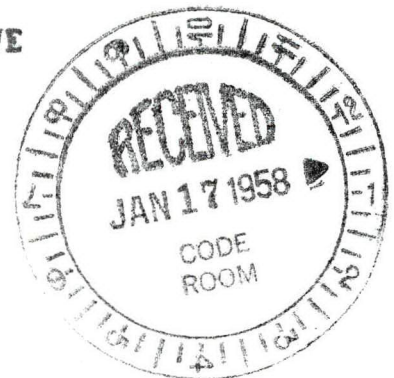
INTERFUND, MANAGING DIRECTOR PER JACOBSSON WASHINGTON 25. D. C. =
 BETR.: FRANKREICH-ZIEHUNG

BESTAETIGE DANKEND EINGANG IHRES PERSOENLICHEN MEMORANDUMS,
 DAS ERNEUT PARALLELITAET UNSERER AUFFASSUNG BESTAETIGT.
 EZU-DIREKTORIUM WIRD SEINE BERATUNGEN AM 21. JANUAR
 FORTSETZEN MIT DEM ZIEL, WESENTLICHE TEILE DES BERICHTS AN
 RAT DER OEEC UNTER BERUECKSICHTIGUNG ANGEKUENDIGTEN
 FRANZOESISCHEN MEMORANDUMS ZU REDIGIEREN. ERBITTE HIERFUER
 SCHNELLMOEGLICHST UEBERSENDUNG PER LUFTPOST EXPRESS IHRES
 "BACK-GROUND-PAPERS" ZU HAENDEN MR. CAHAN IM OEEC-GENERALSEKRE-
 TARIAT. DAS GLEICHE GILT FUER DIE "EVALUATION" UND DIE
 " DRAFT RECOMMENBATIONS", DA EZU-DIREKTORIUM SCHLUSSFASSUNG
 SEINES BERICHTS UND SEINER EMPFEHLUNGEN NUR IN KENNTNIS DER
 IN DIESEM STADIUM NATURGEMAESS NOCH UNVERBINDLICHEN
 VORSCHLAEGE DES STAFF AN DIE EXEKUTIVDIREKTOREN BEZUEGLICH
 EINER FRANZOESISCHEN ZIEHUNG FERTIGZUSTELLEN BEABSICHTIGT.
 VERSPRECHE MEINERSEITS, IHNEN ENTWURFFASSUNG FRANKREICHBERICHT
 DES EZU-DIREKTORIUMS FRUEHZEITIG ZU UEBERSENDEN UND MIT IHNEN
 WEGEN WEITGEHENDER SYNCHRONISATION DER BESCHLUESSE BEIDER
 ORGANISATIONEN SOWOHL IN ZEITLICHER WIE MATERIELLER HINSICHT
 IN ENGSTER VERBINDUNG ZU BLEIBEN.

ZAHLREICHE TECHNISCHE WIE RECHTLICHE PROBLEME, DIE FUER EZU
 SCHWERER ZU LOESEN SIND ALS FUER IMF, MACHEN DEVINITIVE
 BESCHLUESSE VOR ENDE JANUAR UNMOEGLICH =

MIT BESTEN GRUESSEN

MANGOLDT +



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FROM: SALLE, PARIS

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FOR JACOBSSON COCHRAN

VON MANGOLDT APPOINTED TO COMMON MARKET COMMISSION

SALLE

Approved: *HEB*

Received in Code Room : 12:30 PM January 9, 1958

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INTERNATIONAL MONETARY FUND
WASHINGTON 25, D.C.

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Lenbachplatz 2, INTERFUND PARIS
Munich (Germany) (FRANCE)
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PLEASE PASS FOLLOWING MESSAGE TO VON MANGOLDT
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 CONTACT STOP TEN COPIES OF BACKGROUND PAPER SENT
 TO CAHAN TODAY STOP FRENCH DEFINITIVE REQUEST
 TO FUND NOT EXPECTED UNTIL NEXT WEEK SINCE TIME FOR
 USEFUL EXPLORATORY TALKS WITH SEVERAL AGENCIES
 STILL NECESSARY STOP EVALUATION AND RECOMMENDATIONS
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 IMPROVED BUT EXACT NATURE OF FRENCH REQUEST STILL
 UNDECIDED DEPENDING PARTLY ON SIZE OF DIRECT AMERICAN
 CREDITS STOP WILL KEEP YOU INFORMED OF PROGRESS
 GREETINGS

PER JACOBSSON

Drafted By Mr. Jacobsson
 Depa Managing Director
 Date Jan. 17, 1958

AUTHORIZATION

PER JACOBSSON

Signature

Second Signature When Required

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H. K. v. MANGOLDT-REIBOLDT

DR. JUR.

Vorsitzender und Deutsches Mitglied des Direktoriums
der Europäischen Zahlungsunion. Paris

Deutscher Vizegouverneur des Internationalen
Währungsfonds. Washington

PARIS XVI

5, Rue Leonard de Vinci
Tel. Kleber 0344/47, FS. 21068 Germania Paris

MÜNCHEN 3

Süddeutsche Bank AG
Lenbachplatz 2, Telefon 58381, FS. 052 3327

den 16. November 1957

Mr. Per JACOBSSON
Managing Director of
International Monetary Fund
1818 H Street, N. W.
WASHINGTON 25, D.C.

Lieber Herr Jacobsson!

Die Frage eines französischen Kredits ist nunmehr in ein akutes Stadium getreten. Ich habe mich gestern nachmittag mit Sallé unterhalten, um ihm für Sie zusätzliche Informationen zu geben. Trotzdem möchte ich Ihnen einige Zeilen schreiben, um unserer Verabredung entsprechend den persönlichen Gedankenaustausch mit Ihnen aufrecht zu erhalten.

Calvet hat vor drei Tagen in offiziellem Auftrag inoffiziell bei mir sondiert, ob und unter welchen Bedingungen Frankreich mit einem Kredit der EPU rechnen könne. Die Board-Mitglieder haben daraufhin in einer privaten Unterhaltung Ansichten ausgetauscht, um eine ebenso inoffizielle Antwort an Calvet vorzubereiten, die Calvet für Ende des Monats erbeten hat. Calvet hat sich zugleich vorbehalten, in der nächsten Sitzung des Boards vom 10.12. einen offiziellen Antrag selbst in dem Fall zu stellen, dass diese Sondierung ein negatives Ergebnis haben sollte. Seine Regierung fühle sich von der öffentlichen Meinung zur Stellung eines Kreditantrages gedrängt, die seine Genehmigung für selbstverständlich hält. Überhaupt scheint mir einer der wesentlichen Punkte für das Verständnis der hiesigen allgemeinen Situation zu sein, dass hier eine krankhafte Euphorie herrscht, da durch den starken inflationären Stoss, der durch die hohe Kreditgewährung der Banque de France an den Staat veranlasst im Gange ist, jeder einzelne unter dem Eindruck steht, dass die Geschäfte gut gingen. Es fehlt mithin als eines der wichtigsten Elemente einer Sanierung in der Breite noch immer die Erkenntnis des Ernstes der Lage und der Wille, erkannte Schwierigkeiten zu überwinden. Es fehlt mit anderen Worten die politische Führerschaft, die durch einen Appell an die Opferwilligkeit des Volkes psychologisch schwierige Massnahmen vorbereitet.

Wenn wir bisher auch nur einen ersten Gedankenaustausch hatten, so steht jedenfalls fest, dass die erste Bedingung für eine Kreditgewährung die Vorlage eines Programms ist, das die Gesamtanierung zum Ziel hat und geeignet ist, uns zu überzeugen, dass die Erreichung dieses Ziels möglich und wahrscheinlich ist. Dieses / müsste bei Einreichung eines

Programms

November 16, 1957

Dear Mr. Jacobsson:

The question of French credits has now reached an acute state. I talked yesterday afternoon with Sallé in order to give him additional information to be passed on to you. However, I must write you a few lines myself in order to fulfil our agreement to exchange ideas from time to time.

Calvet, in his official capacity, has for three days now been sounding me out unofficially on whether, and on what conditions, France could count on a credit from EPU. The Members of the Board have subsequently exchanged views in a private meeting in order to prepare an equally unofficial reply to Calvet, which he has requested for the end of the month. Calvet has reserved the right to lay an official request himself before the next meeting of the Board on December 12th, even in the event that these soundings would produce a negative result. He explained that his Government felt itself impelled by public opinion to make a request for a credit, the acceptance of which they take for granted. Generally speaking, it seems to me to be one of the most important points for an understanding of the whole situation here^{is} that there is a positively unhealthy sense of well-being dominant here; for as long as the growing inflationary pressure is in full swing -- as a result of the large advances granted by the Banque de France to the Government -- every single individual is under the impression that business is good. There is missing one of the essential elements of a rehabilitation, namely a knowledge of the gravity of the situation and the will to overcome the recognized difficulties. There is not, in other words,

the political leadership which can, through an appeal to the willingness of the people to make sacrifices, prepare the way for taking grave measures.

Whilst so far there has been only a first exchange of views, it seems to be clear that in any circumstances the first condition for the granting of credits is the presentation of a program, which is aimed at a comprehensive rehabilitation and apt to convince us that the attainment of this goal is possible and likely. On the presentation of a request for a credit such a program must be available for examination and discussion. According to our present impression, there is a program of sorts but it contains little more than what is being discussed in parliament, possibly supplemented with further credit restrictions. We remain therefore of the opinion that all the measures are in the right direction, but that they are not adequate to guarantee a speedy result, nor to prevent a further drain on the reserves. From this point of view the outlook for a continuing large budget deficit can hardly be considered tolerable, especially since the growing inflation seems likely to lead to even higher deficits in 1958. This inflationary pressure at the same time makes me doubt whether the rate of 420 to the dollar, which already in the last few weeks has seemed less certainly the right rate, can any longer be considered a final rehabilitation rate. Things are moving so fast without any evidence of really energetic efforts to stop them, and time presses. At the same time, the need for harsher measures is also growing.

From our preliminary talks here there emerged a readiness in principle to give a credit, on the assumption that the Members of the Board could be

convinced that the program prepared was likely to succeed, that close cooperation is maintained with the IMF, that there exists an accord in the views, and, moreover, that the IMF is also convinced of the adequacy of the program. The EPU can only make one credit transaction of this sort and this transaction must therefore be embarked upon with close attention. The program must be carefully examined which the Board is in a difficult position to do. I therefore told Calvet at our meeting yesterday that we hoped that the French Government would, for the examination of what additional measures may be necessary, call in two or three "wise men" whose names and terms of reference would previously have to be agreed with us. In this way, it could be avoided that the OEEC puts forward a demand for experts. It would give me great pleasure if you felt ready and in a position to make available your great experience. The names mentioned so far have been Jacobsson, Holtrop, and Keller.

I have asked Calvet what the foreign exchange requirements are likely to be for the whole period of^a rehabilitation program. Calvet, of course, cannot answer this question since he has to admit that such a period of rehabilitation has not yet begun and, moreover, it still is impossible to say when it will begin. To the further question of what the foreign exchange needs were likely to be for 1958, Calvet, as a rough estimate, gave the figure of \$500 million. In our earlier talks we have said that we would be prepared for the EPU to grant a credit of \$200 million, half in the form of a normal 25% credit-rallonge (based on the unlimited German rallonge); the other half would be given in the form of an ad-hoc gold loan from the EPU to France (probably based on a corresponding gold loan from Germany to the

EPU); the loan would be repayable in two to three years. Calvet is also counting on a credit from the IMF of \$131 million. In addition he hopes to obtain \$70 million from other American sources. This gives a total of \$400 million against Calvet's estimate of \$500 million, which the Managing Board finds a very vague, but even so a rather too optimistic estimate. A certain relief for France might be requests for delays in the date of repayments in respect to loans obtained earlier in the U. S. A. , a course which France intends to propose.

The Board members all met at my house yesterday to talk things over. We are to have another private meeting on November 29th in order to let Calvet know the unofficial position he has requested from us. Our next official meeting is on December 10th at which a request for a loan may perhaps be put forward by France. The Board puts the greatest value on the need for the IMF and the EPU at this moment to synchronize and harmonize their actions. I should be very grateful to know your first reactions to the views expressed in this letter before November 29th; in particular I should be interested to know the attitude of the Fund as regards the lines of policy with respect to a second credit tranche (a credit only for the purpose of meeting a temporary balance of payments disequilibrium and to defend a realistic exchange rate.) This also includes the question whether, on the basis of your information about the new inflationary pressures, you consider the rate of 420 to the dollar as appropriate for the definitive rehabilitation, and whether the arguments relating to the rate will be dealt with in the negotiations with the IMF since this belongs less to our competence.

With friendly greetings, I am, Mr. Jacobsson

Yours, etc.

P. S. Please look on this letter as a reflection of our feelings here, for the time is lacking between the meetings for the preparation of well styled observations.

Kreditgesuchs zur Prüfung und Diskussion vorliegen. Nach unserem jetzigen Eindruck dürfte ein solches Programm aber nicht viel mehr enthalten als das, was derzeit im Parlament diskutiert wird, vielleicht ergänzt um einige weitere Kreditrestriktionen. Wir stehen daher unter dem Eindruck, dass alle Massnahmen wohl in der guten Richtung gehen, dass sie aber nicht ausreichend sind, um einen baldigen Erfolg zu gewährleisten, der verhindert, dass die Wirtschaft sich reservemässig weiter ausblutet. Das nach wie vor in Aussicht stehende hohe Budgetdefizit dürfte unter diesen Gesichtspunkten kaum als tragbar angesehen werden, zumal die starke in Gang befindliche neue Inflationierung im Jahre 1958 sicherlich defizit-erhöhende Wirkungen zur Folge haben wird. Diese Inflationswelle lässt meines Erachtens zugleich vermuten, dass der Kurs von 420 für den Dollar, der wohl schon seit einigen Wochen Zweifel an seiner Richtigkeit erweckt, als endgültiger Sanierungskurs nicht mehr geeignet sein wird. Die Dinge rollen so schnell, ohne wirklich energisch angehalten zu werden, und die Zeit verstreicht. So muss auch die Notwendigkeit schärferer Massnahmen wachsen.

Aus den Vorbesprechungen ergab sich eine grundsätzliche Bereitschaft, einen Kredit zu geben unter der Voraussetzung, dass die Mitglieder sich von der Wahrscheinlichkeit des Erfolgs eines vorgelegten Programms überzeugen können, dass eine enge Verbindung mit dem IMF und einer Abstimmung der Auffassungen gegeben ist und dass auch der IMF seinerseits von der Richtigkeit des Programms überzeugt ist. Die EPU kann eine solche Kreditaktion nur einmal machen, und sie muss deshalb mit aller Vorsicht eingeleitet sein. Das Programm bedarf einer sorgfältigen Prüfung, zu der der Board allein schwerlich in der Lage ist. Ich habe daher in seinem Auftrage Calvet gestern mitgeteilt, dass wir hofften, die französische Regierung würde zur Prüfung, welche Massnahmen zusätzlich durchgeführt werden müssen, zwei oder drei "wise men" hinzuziehen, deren Namen und Auftragsformulierung vorher mit uns abgestimmt werden sollte. Auf diese Weise ^{verleugt} ~~könnte~~ vermieden werden, dass die OEEC ihrerseits Experten ~~aufstellt~~. Ich möchte gern hierdurch bei Ihnen vorfühlen, ob Sie bereit und in der Lage wären, sich mit Ihrer grossen Erfahrung zur Verfügung zu stellen. Gesprächsweise wurden bisher die Namen Jacobsson, Holtrop und Keller genannt.

Ich habe Calvet die Frage gestellt, welcher Devisenbedarf für die gesamte Sanierungsperiode anfallen würde. Calvet kann diese Frage verständlicherweise nicht beantworten, weil er ja zugeben müsste, dass eine sogenannte Sanierungsperiode noch nicht in Lauf gekommen ist und man auch noch nicht sagen kann, wann sie in Lauf kommt. Auf die Ergänzungsfrage, welches dann der Devisenbedarf für 1958 sei, nannte Calvet als rohe Schätzung den Betrag von 500 Mio. \$. In

Vorüberlegungen
unseren Vorüberlegungen sind wir von einem Kredit der EPU von 200 Mio. \$ ausgegangen, der zur Hälfte durch einen normalen 25%igen Rallonge-Kredit (auf Grund der unlimitierten deutschen Rallonge), zur anderen Hälfte durch einen ad-hoc-Goldkredit der EZU an Frankreich (auf Grund eines entsprechenden Goldkredits Deutschlands an die EZU) dargestellt werden würde; Kreditdauer 2 bis 3 Jahre. Calvet rechnet weiterhin mit einem IMF-Kredit von 131 Mio. \$. Ferner erhofft er sich 70 Mio. \$ aus verschiedenen anderen amerikanischen Quellen. Dies ergäbe 400 Mio. \$ gegenüber der Calvet'schen Bedarfsschätzung von 500 Mio. \$, die der Board als sehr vage, dabei aber eher noch als optimistisch ansieht. Eine gewisse Erleichterung für Frankreich mögen Stundungsgesuche für Rückzahlungsraten früherer in USA aufgenommenen Kredite bringen, die Frankreich zu beantragen beabsichtigt.

Die Boardmitglieder sind gestern alle nach Hause gefahren, um die Dinge zu besprechen. Wir wollen uns am 29. November zu einer privaten Unterhaltung wieder treffen, um Calvet die erbetene inoffizielle Stellungnahme übermitteln zu können. Unsere nächste offizielle Sitzung ist am 10. Dezember, in der möglicherweise ein Kreditantrag Frankreichs vorliegen wird. Der Board legt den grössten Wert darauf, dass IMF und EPU in diesem Moment synchronisiert und abgestimmt handeln. Es würde mir sehr angenehm sein, wenn ich von Ihnen bis zum 29. November eine erste Reaktion zu meinen vorstehenden Ausführungen haben könnte; insbesondere würde mich interessieren, wie wohl der Währungsfonds sich einstellen wird bezüglich der Richtlinien für eine 2. Kredittranche (Kredit nur zur Überbrückung eines kurzfristigen Zahlungsbilanzgleichgewichts und zur Verteidigung eines realistischen Wechselkurses). Dies schliesst auch die Frage ein, ob Sie nach Ihren Nachrichten über die neue inflationäre Welle den Kurs von 420 für den Dollar als für die endgültige Sanierung geeignet ansehen und ob dieses Kursargument gegebenenfalls in den Verhandlungen des IMF mitbehandelt würde, da es ja wö'niger zu unserer Kompetenz gehört.

Mit freundlichen Grüßen bin ich, lieber
Herr Jacobsson,

Ihr Ihnen stets sehr ergebener

Bitte sehen Sie diesen Brief als
einen Stimmungsbericht an, da mir
zu stilistisch wohl ausgefeilten Aus-
führungen zwischen den Sitzungen die Zeit
fehlt.

✓ *Angold*

Copies to Mr. Cochran
Mr. Ferras

July 2, 1959

Personal and Confidential

Dear Karl von Mangoldt:

On my return from Spain I want to tell you how glad I am that we again had an occasion to cooperate on an important issue; this time facing problems of considerable significance both technically and politically. Unfortunately the time at our disposal was very limited, so that much had to be said and decided in a rather abrupt manner--but there was no other way of doing it.

There is of course always the question whether on any particular point the conclusion reached is the most appropriate one, but I cannot help thinking that with regard to Spain we reached a workable solution to the problems before us. My impression is that the two Ministers with whom we dealt, and the Chief of State, are determined to ensure that the present program shall be a success.

We understand from a cable received today from Mr. Sallé that you hope to have your final meeting on the 18th of July. This seems to me to be a suitable date, for it will give time here for the Spanish Ambassador to arrange credits with New York banks, and for the U.S. Government to make up its mind what it intends to do. For our part, we might have our meeting on Friday, the 17th, but we would, of course, coordinate any press release with you.

As to the amounts involved, I take it that the O.E.E.C. will arrive at a figure of around \$100 million, including the contributions from Germany and Italy. The Fund, as you know, will furnish \$75 million. It is not yet fully known what will be obtained from the U.S. banks, or exactly how the U.S. authorities will make their contribution. The total amount available for balance of payments support will, I hope, reach a figure of perhaps \$225 million.

I have had some busy days since I came back, and the pleasure of returning to work here has not been enhanced by a temperature of 100 degrees Fahrenheit in the shade for three days running.

Please give our best wishes to M. Sergent, Mr. Hartog, Dr. Keiser and Dr. Gilbert, and to Mr. Cahan when he returns from Turkey.

I wish we had had more time for private and human intercourse. We spoke a few words about the Spanish author Unamuno, but that was all there was outside the work. That was how it had to be; to get Spain linked more closely to the West is a great task. Here we appreciate very much the work that you yourself and others in the O.E.E.C. have done over many months for the good of Spain and for the West in General.

Hoping that everything will go well, I send you my best wishes and thanks for the cooperation we had in Madrid.

Yours ever sincerely,

"Signed! Per Jacobsson"

Per Jacobsson

Dr. H.K. von Mangoldt-Reiboldt
Lenbachplatz 2
Munich 2, Germany

[Copy to Dr. von Mangoldt's Paris Address]



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INTERNATIONAL MONETARY FUND
WASHINGTON 25, D.C.

FOR PREPARING OFFICER

- Night Letter
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Munich (Germany) (FRANCE)

PLEASE PASS FOLLOWING MESSAGE TO VON MANGOLDT
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 GREETINGS

NO DISTRIBUTION

Drafted By Mr. Jacobsson
 Dep Managing Director
 Date Jan. 17, 1958

AUTHORIZATION

PER JACOBSSON

Signature

Second Signature When Required

PER JACOBSSON



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May 9, 1958

Dear Dr. von Mangoldt:

I have been meaning to write you for some time but when I heard that you would be visiting us here in Washington I postponed my letter. I now understand from Dr. Hanemann that you will only be here by the end of the month. I hope sincerely that it will be possible for yourself, and perhaps the Hanemanns and some others, to have dinner with my wife and me.

There are, of course, a number of problems that we have to discuss, and in particular, I should say the Turkish problem. You will probably have heard from Dr. Emminger with whom I discussed this matter at length here in Washington; he also talked to Mr. Sturc. Emminger will have told you that we are sending a staff team to Turkey sometime in the second half of June, within the framework of our regular Article XIV Consultations schedule. If it is agreeable to you, the team will be instructed to stop over in Paris on its way to Ankara, in order to coordinate the Fund's approach with that of the OEEC.

I believe it is your opinion, as it is mine, that it is essential that the two organizations, the OEEC and the IMF, should keep each other fully informed in order to ensure that our attitude towards the Turkish negotiators will follow similar lines. The more I look at the problem, the more difficult it seems and it will surely be necessary for the Turkish Government to swallow some bitter pills if they are to restore order to their economic and financial system.

As Emminger may have told you, he and I are particularly worried as I suppose you are too, about the large accumulation of commercial arrears and the amount of trading debts maturing in the next few years. It seems necessary that some competent person in each of the creditor countries take this matter in hand and I wonder whether each of the governments involved should not designate a particular official or other person for this purpose. These various persons might be in contact with each other and, as Emminger put it, become a kind of Ad Hoc Committee. Their task, as I see it, would be to explore the possibility of funding these debts on the assumption, of course, that a program were adopted by Turkey which would give the creditors a satisfactory assurance that a prompt remittance system would avoid the recurrence of new commercial arrears.

You will probably have dealt with this and other problems at the meeting of the Managing Board but I thought even so that I might mention them to you now, since your journey here has been somewhat delayed.

You will find enclosed a speech I made last month at the meeting of the Economic and Social Council of the United Nations. To some extent, this speech had to be a review of what had happened in the Fund in the last 12 months and I referred in particular to the statements made by yourself and Mr. Thorneycroft at the Annual Meeting of the Fund last September. I think you can take great pride in your contribution to that meeting for the effects on the market were even more rapid and satisfactory than anybody could have expected in advance.

Hoping that you keep well in spite of much work, and looking forward to seeing you, I am

Yours sincerely

Per Jacobsson

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