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THE WORLD BANK

Washington, D.C.

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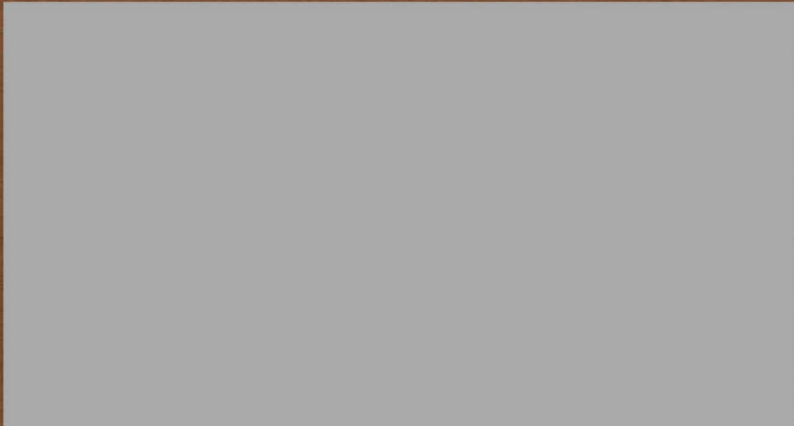
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This volume closed with effect from  
October 26, 1959. See Vol. V

CURTIS J. HOXTER, INC.

FIVE TWENTY-SEVEN MADISON AVENUE

NEW YORK 22, NEW YORK

OCT 27 REC'D

TELEPHONE  
PLAZA 1-2850

CABLE ADDRESS:  
"CURTHOXTER NEW YORK"

October 26, 1959

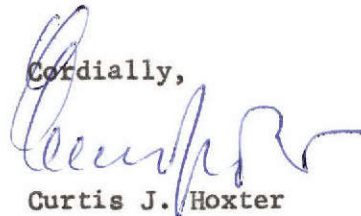
Dear Mr. Black:

I was rather fascinated by the short article carried by the London Economist recently under the headline "International Investors' Institute" in which the Economist makes quite a case out of your suggestion before the Governors of the World Bank "that there should be a place for an entity made up exclusively of private international investors from all countries."

I am rather fascinated by this thought and, according to the emphasis that the London Economist has given, you are attributed as having followed the general point of view that another Investors' Protectionist League be set up. I feel that there is a need in general -- and I am sure you will agree -- to publicize what is being done and the conditions that are being provided for private investment. For this reason I would very much like to get your thinking a bit further along these lines. As you know, because of our International Chamber of Commerce background and the general specialization in the field of international economic relations, this is a subject matter that is very dear to my heart, and, therefore, I would most appreciate having an opportunity to talk with you about this sometime in the near future. In the meantime, a general expression, which, of course, I shall keep private and personal, would be most appreciated.

Kindest regards.

Cordially,



Curtis J. Hoxter

Mr. Eugene R. Black  
President  
International Bank for Reconstruction  
and Development  
1818 H. Street N. W.  
Washington, D. C.

Ack Nov 3.

CURTIS J. HOXTER, INC.

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Curtis J. Hoxter

Mr. Eugene R. Black  
President  
International Bank for Reconstruction  
and Development  
1818 H. Street N. W.  
Washington, D. C.

1959 OCT 27 AM 11:01

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BANK FOR RECONSTRUCTION AND DEVELOPMENT

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NAME		ROOM NO.
<del>Mr. WABLER</del>		
<del>.. D. Sommer</del>		
<del>.. H. Burke Knapp</del>		
<del>.. A. Brocher</del>		
	Action	Note and File
	Appropriate Disposition	Note and Return
	Approval	Prepare Reply
	Comment	Per Our Conversation
	Full Report	Recommendation
<input checked="" type="checkbox"/>	Information	Signature
	Initial	To Handle
REMARKS		
		
From		



HERMANN J. ABS

OCT 26 REC'D

FRANKFURT (MAIN), 20 October, 1959 F.  
JUNGHOFSTRASSE 5-11  
TELEFON 2 02 31

Mr. Eugene R. Black  
President,  
International Bank for  
Reconstruction and Development  
1818 H Street, N. W.  
Washington 25, D. C.  
-----

Dear Mr. Black:

I have followed with great interest the Annual Meeting of your Bank and of the International Monetary Fund and, in particular, your report on the activities of the International Bank during the last business year. Again your Bank has contributed to a large extent to assisting the underdeveloped countries in their policy of building up their economies. But as you and others have indicated, there are quite a number of development projects which cannot be financed in the usual way, that is with hard currency loans and, therefore, the idea of setting up an "International Development Association" has been discussed widely during the Annual Meeting. I am very pleased that this organisation, should it be realised, will be administered by the staff of your Bank. This would, indeed, be a safeguard against utilizing the envisaged "soft loans" to the disadvantage of the receiving countries and of the normal bank credits, both public and private. To my mind, the Articles of Agreement of the new institution should be set up accordingly which is an extremely difficult task. But I am convinced that under your guidance these Articles will be made absolutely "watertight", so that endeavours of the underdeveloped countries

to switch over to the instrument of "soft loans" for the financing of projects which could be carried through under normal banking conditions, can be prevented effectively. My opinion is that "soft loans" of the envisaged kind should be restricted exclusively to purely infra-structural programs.

During your address you raised the question whether the time has not come to establish an entity embodying private investors of all countries the task of which would be to find out ways and means for promoting private investments abroad. According to your statement this organisation could also contribute to settle differences between governments and foreign private investors. I think that this proposal of yours is an excellent one because coordination among private investors within the capital-exporting countries in matters of assisting the underdeveloped countries through private means is badly needed. I would be very much interested to hear from you more details of your proposal. When you referred to the differences between governments and foreign private investors, did you also think of disputes arising out of governmental encroachments on foreign rights and interests which, as you know, are being dealt with in the multilateral convention for the protection of foreign investment abroad as proposed by our Cologne Society, Lord Shawcross, and other experts in this field?

I still think this problem is an extremely important one, and I understand that OEEC and also the Common Market Organisation are endeavouring to find an appropriate solution along the lines of our ideas. But even if these endeavours will prove successful, I think it is most important that the

United States Government joins in these efforts which they have not done so far. But I am convinced that if the International Bank would foster these ideas within the organisation envisaged by you, this would contribute very much to bringing about a satisfactory solution of this common problem.

Dr. Krebs conveyed to me your regards. I am very grateful to you that he had the possibility to talk over with you and Mr. Sommers problems of mutual interest. I shall send you the statistical data on the re-purchasing of the recent World Bank D-Mark bond issue as soon as they are completed.

With kind personal regards,

Yours very sincerely,  
*Wernan J. H.*

1828 OCT 30 PM 1:20

RECEIVED

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With kind personal regards,

Yours very sincerely,  


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BANK MAIL ROOM

O. M. E. LOUPART  
HUIZE „WILGENAKKER“  
KANAALDIJK Z. 7

EINDHOVEN, October 1st, 1959.  
(HOLLAND)

OCT 6 REC'D

Eugene Black Esq.,  
President of the  
"World Bank",

Washington

Dear Mr. Black,

In your many world-wide peregrinations for improvement of the human conditions, I have followed you through the years since the war with great interest and, without flattery, with sincere admiration.

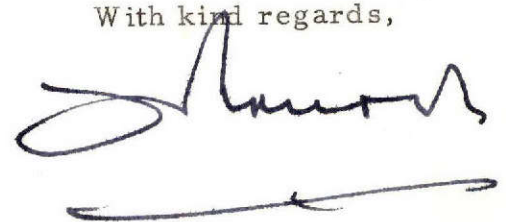
Not only in my own work in so many countries of the globe did I get aware of your penetrating healthy work, but also did I always -- perhaps owing to our war-time friendship -- follow with attention the orientation, which the press of the Free World published from time to time about your globe travels.

I now see that in the yearly conferences of the World Bank, held in Washington, you have ventured the plan of an international organization of private investors with some of the main features to be taken care of in such a plan.

Perhaps that you know that I have retired from the daily work in the Management of the Philips Company, to which I, naturally, still belong as a Member of the Board. If you think some of my world-wide experience and friendly relations could be useful to your international new plan, please do not hesitate to let me know, since I feel that strengthening of the Western World and all the uncommitted countries is a task, to which everybody with good senses should give his utmost assistance.

The last time we met in Washington, during President Eisenhower's inauguration festivities, was too short for a thorough exchange of views. When in Holland during one of your journeys and not too much absorbed by official duties, you are always welcome at "Wilgenakker".

With kind regards,



Ack Nov 3

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1959 OCT - 8 PM 1:01

O. M. E. 'LOUPART  
HUIZE „WILGENAKKER“  
KANAALDIJK 2. 7

EINDHOVEN, October 1st, 1959.  
(HOLLAND)

OCT 6 REC'D

Washington  
"World Bank",  
President of the  
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With kind regards,

Alk 11/3

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Mr. Sommers

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Signature

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From

M.E.L.

Mr. Ir. A. W. QUINT

TEL. (K 2950) 4735  
POSTGIRO 141196

OCT 20 REC'D

HILVERSUM, .....October..... 195.....9  
TROMPENBERGERWEG 1

By airmail

Mr. Eugene Black,  
President World Bank,  
WASHINGTON D.C.  
U.S.A.

Dear Sir,

We have been informed that in the annual report of the World Bank, you have mentioned the advisability of the formation of an international organization of private investors.

We take the liberty of advising you of the existence in the Netherlands of the "Shareholders Protective Society" and will send you by separate mail a specimen of our organ.

One of the aims of this society is seeking contact with similar societies in other countries, with the ultimate object of coming to an international movement to protect and enlighten private investors.

We should be greatly obliged if you would be good enough to inform us, if we could in any way cooperate in order to assist in the formation of an international organization of private investors as mentioned by you in your annual report.

Very truly yours,

(Dr. A.W. Quint)

Member of the Council of the  
"Shareholders Protective Society".

*A. W. Quint*

*Ack Nov. 2*



OCT 20 1959

M. B. A. W. QUINN  
POST OFFICE BOX 1111  
BOSTON, MASS.

HILVERSUM  
FROM: HILVERSUM  
NO. 192

Mr. Quinn

Mr. Quinn,  
Executive Director,  
American U.S.  
T.S.A.

Dear Sir,

As you have indicated that in the annual report of the World Bank, you have mentioned the availability of the formation of an international organization of private investors.

As this was a study of the possibility of the exchange of information by the "International Private Investor" and that the study was a study of the possibility of the exchange of information by the "International Private Investor".

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Very truly yours,

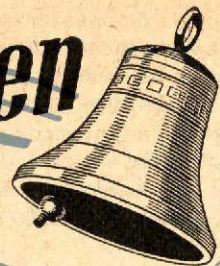
(Mr. Quinn)

Secretary of the Society of the  
International Private Investor

*M. B. A. W. Quinn*

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# Beleggers-Belangen



Wekelijks verschijnend tijdschrift, ten doel hebbend beleggers te beschermen, hen in algemene zin voor te lichten en een doelmatige belegging van particuliere besparingen te bevorderen. Het bevat tevens de officiële mededelingen van de Vereniging Effectenbescherming (waarin opgenomen werd de Vereniging van Fondsenhouders) gevestigd te 's-Gravenhage en van het Nationaal Bureau voor Beleggingsstudieclubs in Nederland, gevestigd te Amstelveen.

3e JAARGANG  
NUMMER 22  
3 OKTOBER 1959

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NEDERLANDSCHE BOEKDRUKKERIJ  
H. A. M. ROELANTS — SCHIEDAM

EINDREDACTEUR: D. LANGELAAR,  
HOEFLOO 19A, LAREN N.H. K 2953-3870

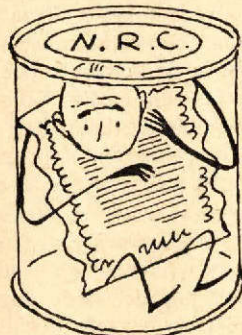
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GRIJNS, W. C. POSTHUMUS MEYJES,  
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H. G. J. SALFISCHBERGER, DR. C. M. E.  
VAN SCHELVEN, MR. A. A. H. DU TOY  
VAN HEES, MR. GERH. VERBURG, J. E.  
VERWAYEN, J. TH. WAGENAAR.

DE REDACTIE STELT ZICH NIET AAN-  
SPRAKELIJK VOOR DE INHOUD VAN  
INGEZONDEN STUKKEN.

OVERNAME VAN INHOUDSGEDEELTEN  
STAAT VRIJ, MITS MET BRONVERMELDING

Zie voor abonnementsprijs enz. pag. 15

Emissie Verblifa geslaagd...



....maar de aandeelhouder  
ingeblikt!

## Zwak betoog

Het is ongetwijfeld nuttig geweest dat het tweede kwartaalbericht van de Nederlandse Handelmaatschappij voor een deel gewijd werd aan de kwestie van de uitvoer van Nederlandse effecten. Dit verschijnsel heeft inderdaad in de laatste jaren een grote omvang aangenomen en er is hier veel discussie over gevoerd. Het artikel bevat veel nuttige cijfers en is een poging het verschijnsel in zijn geheel en in zijn voornaamste consequenties te overzien.

Het is alleen jammer dat hierbij het duidelijk waarneembare streven voorop gezeten heeft de vrije effectenuitvoer *coûte que coûte* te verdedigen en de kritiek daartegen te weerleggen. Dit heeft de overzichtschrjver er toe verleid conclusies te formuleren die veelal de feiten weerspreken die hij zelf aanvoert en anderszids argumenten van twijfelachtig allooi te berde te brengen.

Het bericht erkent dat de uitvoer van effecten, in de laatste jaren, in de praktijk voor de Nederlandse zijde nadelig is geweest. Zo lijkt het hem waarschijnlijk dat vele Nederlandse effectenbezitters, die in de afgelopen jaren hun stukken verkocht hebben tegen aanzienlijk lagere beurskoersen dan de noteringen, die naderhand tot stand gekomen zijn, „door onmeetbare onlustgevoelens geteisterd worden”. Veel van de opbrengste van die verkoop moet in obligaties zijn herbelegd. „Onder die herbeleggers zullen er wel zijn, die zich de haren uit het hoofd trekken”. Dat is altijd het geval bij beurs-transacties, zo gaat de schrijver voort, maar het ongeluk wil dat in dit geval de tevreden tegenpartij „in het buitenland is gevestigd”. Inderdaad is de koopkracht van de gulden, in de periode 1952-1958 met 22% gedaald. In de Verenigde Staten daarentegen is de koopkracht van de dollar in dat tijdvak slechts met 6% gedaald. Daarentegen steeg de algemene beursindex van aandelen (van het A.N.P.) van juni 1955 tot juni 1959 met ongeveer 45%.

Deze vervanging van aandelenbezit door obligaties in de particuliere sector is evenwel ook gepaard gegaan met een vervanging van obligatie-schuld door aandenschuld wanneer men de Nederlandse volkshuishouding in haar geheel beziet.

Dit gebeurde doordat het ministerie van financiën gebruik heeft gemaakt van de grote stroom van deviezen (vooral dollars), die de verkoop aan het buitenland van Nederlandse effecten heeft opgeleverd, om een gedeelte van de Nederlandse buitenlandse dollarschuld vroegtijdig af te lossen of over te hevelen naar het binnenland. Ook deze vervanging is nadelig, hetgeen de

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overzichtschrjver niet nalaat uitdrukkelijk te vermelden.

Maar de deviezenaanwas werd niet alleen benut voor het delgen van buitenlandse schuld (met enige andere overheids-posten tot een bedrag van f. 1341 miljoen in de periode 1952-1958). De deviezen werden ook gebruikt om vanuit Nederland beleggingen en investeringen in het buitenland te financieren tot een bedrag van ca. f. 2400 miljoen. Ter vergelijking diene, dat de totaalopbrengst van de effectenverkoop (alles in dezelfde periode) ca. f. 2800 miljoen was waar nog buitenlandse

## Teczijde .....

Onze belastingwetgeving wordt gedurende de laatste jaren omgord door een warbus van voorschriften onder verschillende benamingen met nadere of zelfs van de wet afwijkende regelingen.

Zo is het Besluit op de Vennootschapsbelasting bijgewerkt o.a. met een „achtste aanvullingsbeschikking”. Met ingang van 13 augustus 1957 (derhalve onder het vorige regime) werd deze bij Ministeriële Beschikking gewijzigd: voorlopige aanslagen in de Vennootschapsbelasting worden opgelegd nadat zeven maanden van een boekjaar verstreken zijn en worden gebaseerd op een belastbaar bedrag van  $\frac{3}{4}$  van dat van het vorige jaar. Tevoren gold de helft in plaats van driekwart en werd de aanslag eerst na 9 maanden opgelegd. Nu bepaalt artikel 5, 6de lid, dat een voorlopige aanslag in de Vennootschapsbelasting binnen een maand moet worden betaald, reeds krachtens de in 1951 opnieuw vastgestelde achtste aanvullingsbeschikking.

Deze betaling binnen de maand is voor vele ondernemingen een strop. Dikwijls moet het bankkrediet tot het uiterste worden opgenomen en komen andere betalingen in het nauw, vooral als de winst terugloopt, terwijl  $\frac{3}{4}$  van het vorige jaarbedrag de grondslag is.

De Rechtbank te Amsterdam heeft bij vonnis van 7-1-'59 beslist dat die invordering binnen een maand strijdig is met de Invorderingswet van 1845. Wie protesteerde en bij de Ontvangers toepassing van de Invorderingswet en betaling in minstens vijf maandtermijnen vroeg kreeg nul op het request.

Op vragen van het Kamerlid de heer Janssens, heeft thans de Staatssecretaris van Financiën, Dr. Van den Berge, medegedeeld, dat aan de Ontvangers de instructie is gegeven op verzoek van de belastingplichtigen de Invorderingswet toe te passen. Maar . . . onder voorwaarde, dat rente betaald moet worden als de Staat in hoger beroep of cassatie alsnog gelijk krijgt in de procedure gevoerd voor de Rechtbank!

Beter dan deze eventuele renteheffing lijkt ons in dat geval een wetswijziging, waardoor willekeurige veranderingen van de waarborgen, die de Invorderingswet aan de belastingplichtigen geeft, door voorschriften buiten de volksvertegenwoordiging om onmogelijk zouden worden gemaakt.

investeringen in Nederland ten bedrage van ca. f. 900 miljoen bijkwamen. Men ziet dat beide actief- en passief-posten elkaar, over die periode, ongeveer dekken.

Al erkent de schrijver, dat de schuldaflissing, zoals hierboven uiteengezet, een nadelig aspect vertoont, hij vindt in deze cijfers over het algemeen een geruststelling ten opzichte van de ontwikkeling van de totale Nederlandse vermogenspositie in het buitenland.

Hiertegen moet evenwel worden aangevoerd, dat deze geruststellende kijk zeer belangrijke kanten van de zaak veronachtzaamt.

In deze periode heeft allereerst een zeer belangrijke vermindering van de buitenlandse vermogenspositie van Nederland plaats gehad, nl. in Indonesië. Daarbij is waarschijnlijk slechts een klein deel van de bovenvermelde kapitaaluitvoer verloren gegaan; maar over het geheel genomen valt aan te nemen, dat het saldo van de buitenlandse vermogenspositie, over deze periode, later als sterk passief zal worden geboekstaafd.

Voorts heeft de kapitaaluitvoer grotendeels plaats gehad via de internationale concerns. Dit blijkt bijv. al uit het feit, dat van het totaal aan Nederlandse investeringen in het buitenland, van 1952-1958, ten bedrage van f. 1730 miljoen, f. 910 miljoen voor rekening komt van het ene jaar 1958 en dit cijfer komt bijna uitsluitend voort uit de buitenlandse bestemming van de opbrengst van de emissie van de Koninklijke in het begin van dat jaar. Nu kan men moeilijk meer, althans uitgaande van het aspect waar het hier om gaat, n.l. het profijt dat aan deviezen aan Nederland toevallt uit hoofde van beleggingen in het buitenland, de Koninklijke als een Nederlandse onderneming beschouwen. Volgens de laatste gegevens is nl. 65% van het aandelenkapitaal van de Koninklijke in buitenlandse handen, hetgeen betekent, dat deze laatste ook de vruchten, in hun deviezen, plukken van de buitenlandse investeringen van de Koninklijke. Het is niet gewaagd te veronderstellen — wanneer men ook rekening houdt met het aanzienlijke buitenlandse bezit van Unilever- en Philipsaandelen — dat door rekening te houden met deze factor de helft van bovengenoemd cijfer van f. 1730 miljoen moet worden afgeschreven als niet ten bate van de Nederlandse deviezenkas.

### Een ander aspect

Er is ook een ander aspect dat volledig verwaarloosd wordt door de schrijver van het overzicht van de N.H.M.

Dit is nl. de vervanging van het dollar-actief waarop Nederland in de sector van de buitenlandse beleggingen steeds heeft kunnen bogen door een passief in deze sector waartegen dan een stijging van het beleggingsactief in niet-dollar geldsoorten staat. Er is in deze kolommen reeds gewezen op de voortgaande verslechtering van onze dollar kapitaalopbrengsten-balans (zie „Beleggers-Belangen” van 11 oktober 1958). Deze ontwikkeling werd in 1958 versluierd door een aantal incidentele verschijnselen maar zal ongetwijfeld in de komende jaren in steeds versterkte mate duidelijk aan het licht treden. Voor het moment, in deze periode aan convertibiliteit, leidt deze ontwikkeling niet tot acute storingen. Over enige tijd zal evenwel het nog steeds grote dollartekort van Nederland op de lopende rekening van de betalingsbalans, vooral wanneer de kunstmatige stroom van dollars op de kapitaalrekening opdroogt, onze deviezenautoriteiten ongetwijfeld weer voor grote moeilijkheden stellen. En dan wordt het negatief saldo van de kapitaalopbrengstenbalans in de dollarsektor, zelfs slechts als bijkomstige factor, een last te meer.

De schrijver van het overzicht wil vooral de ongerustheid over de effectenverkoop weg nemen met het argument, dat indien de opbrengst maar produktief wordt gebruikt, men geen

reden tot pessimisme behoeft te hebben. Hierboven werd reeds aangetoond dat de herbelegging in het buitenland geenszins enige geruststelling rechtvaardigt. Wat nu de investeringen in het binnenland aangaat is dit ook niet het geval. Het blijkt nl. dat de toestroom van kapitaal uit het buitenland weinig of geen invloed uitoefent op de omvang van de binnenlandse produktieve beleggingen. Het is bekend, dat deze zich in 1958 — en een groot deel van 1959 — op een veel lager niveau hebben bewogen dan in voorgaande jaren niettegenstaande het feit dat juist in 1958 de effectenuitvoer (inclusief de buitenlandse deelneming aan de emissie van de Koninklijke) een topbedrag bereikte gelijk aan ca. 44% van de totale opbrengst in de jaren 1952-1958. Dit is ook wel begrijpelijk omdat de totaalcijfers aantonen dat de opbrengst opgesoupeerd werd door herbelegging in het buitenland en schulddelging (globaal gezien) en in belangrijke mate door herbelegging in obligaties (individueel bezien). In dit verband doet het bijzonder vreemd aan dat de overzichtschrjver als bijzonder geruststellend het verschijnsel kenmerkt dat in 1958 de inflatoire werking van de kapitaaltoestroom uit het buitenland opgevangen werd door het deflatoire effect van de sterke vermindering der binnenlandse investeringen. Enerzijds beveelt hij dus aan de opbrengst van de effectenuitvoer produktief te besteden, d.w.z. vooral in het binnenland meer te investeren en anderzijds verheugt hij er zich over, dat men juist minder heeft geïnvesteerd toen die stroom een hoogtepunt bereikte! Hier heeft de tendens van de schrijver om „het allemaal maar niet zo erg te vinden” hem duidelijk parten gespeeld, hetgeen ook zijn weerslag vond in het twijfelachtig argument over de aard zelve van de effectenuitvoer waarmede hij de lezer al dadelijk in het begin van het artikel te lijf gaat. Hij tracht daar het argument te ontzenuwen, dat bij effectenverkoop „de vrucht met boom en al wordt verkocht”. Hij beweert dan dat bij verkoop van schepen en fabrieksinstallaties de „liquidatie nog veel radicaler” zou zijn, omdat deze produktiemiddelen dan het land uitgaan en hier geen werkgelegenheid opleveren, terwijl de ondernemingen waarvan de aandelen in buitenlandse handen zijn geraakt dan toch maar hier blijven, arbeiders werk verschaffen en bijdragen tot produktie en export.

Dit is wel een zeer grove — en gevaarlijke — vertekening van economische realiteiten. In de internationale ruilhandel behoort de produktie en uitvoer van kapitaalgoederen juist tot de activiteiten, die relatief het meeste bijdragen tot de

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nationale welvaart omdat hierbij de toegevoegde waarde en de benutting van de meest waardevolle elementen van het arbeidspotentieel (inclusief het intellect) en van het produktie-apparaat het grootst zijn.

En waardevoller dan het schip of de machine, die wordt uitgevoerd is de scheepswerf en de machinefabriek, die wel degelijk in het land blijven, met inbegrip van de winsten. Bij een fabriek, die in buitenlandse handen is geraakt vloeit evenwel de winst naar het buitenland, genieten buitenlandse leveranciers dikwijls voorkeur terwijl het gevaar niet denkbeeldig is, dat de buitenlandse belangen die de produktie dan controleren op een kwade dag kunnen besluiten die produktie te verminderen of het bedrijf zelfs geheel op te heffen. Dit gevaar klemt temeer wanneer men rekening houdt met het feit dat door de overzichtschrjver zelf wordt vermeld, nl. dat de aankopen van de voornaamste Nederlandse ondernemingen hoofdzakelijk werden verricht door een klein aantal grote beleggers in het buitenland. Daarbij hebben dus ongetwijfeld ook overwegingen van machtsuitbreiding en concentratie gespeeld. Het valt te vrezen, dat wij dit in de praktijk, in de komende jaren, aan den lijve zullen ondervinden. Reeds spelen zich op dit gebied voorgevechten af van een strijd, die, zoals men weet, in Engeland reeds grote vormen heeft aangenomen en ook aan onze oosterburen niet onbekend is.

Men weet, dat de uitvoer van effecten éenzijdig wordt bevorderd door de regelingen op dit gebied, die vergeleken kunnen worden met een klep, die slechts vanuit één kant wijder open kan worden gesteld. Voor de staat, naast de vele goede redenen die hiervoor worden opgenoemd, heeft dit ongetwijfeld het voordeel, dat zij, door de bevordering van kunstmatige deviezeninkomsten, een aantal problemen uit de weg kan gaan, die zij liever vermijdt, maar daarvan de pijnlijke oplossing slechts opschort. Nederland wordt er evenwel door geschaad.

Bl.

## Het „Holland Organising Centre”

wil ook de aandeelhoudersvergaderingen wat „jeuiger”!

*In een van de riante panden aan het statige Lange Voorhout in Den Haag, is sedert kort de N.V. Congresbureau „Holland Organising Centre” gevestigd onder de directie van Mr. A. Cronheim.*

*Deze was hoofd van het congresbureau der gemeente 's-Gravenhage, doch hij heeft onlangs de gemeentedienst verlaten om zijn wieken wijder uit te slaan. Zijn werkzaamheden beslaan nu een veel uitgebreider veld, want in tegenstelling tot zijn vroegere werkring die zich uit de aard der zaak tot Den Haag beperkte, kan hij thans zijn activiteiten overal in Nederland ontplooiën.*

### De doelstelling

Het doel van het „Holland Organising Centre” is in de eerste plaats, zoals de heer Cronheim in een speciaal interview

voor ons blad vertelde, het voorbereiden en organiseren in Nederland van nationale en internationale congressen — met de hotelaccommodatie, het regelen van de noodzakelijke en gewenste uitstapjes en eventueel tolkendiensten inclus — en andere bijeenkomsten, waaronder bv. aandeelhoudersvergaderingen. „Evenszins willen en zullen wij ons bezig houden met de organisatie van bijzondere evenementen, zo ging de heer Cronheim voort, zoals bv. de viering van jubilea van maatschappijen en ondernemingen, firma's en zaken, tewaterlatingen van schepen enz. maar ook rekenen wij tot onze werkzaamheid de regeling van de ontvangst en het verblijf in ons land van binnen- en buitenlandse gasten. Wanneer een of andere ondernemer een relatie of gast uit het buitenland ontvangt en deze zijn bedrijf en installaties wil tonen en hem eventueel ook andere interessante objecten

in ons land wil laten zien, dan is het in vele gevallen niet wel doenlijk om zich vrij te maken en zo'n gast te vergezellen. Dit is natuurlijk een tijdrovende bezigheid en om tijd en daardoor geld te sparen, kan ons bureau voor een doeltreffende en tiptop rondleiding zorg dragen."

„Hoe is u er toe gekomen om uw congresbureau op te richten," zo vroegen wij.

Mr. Cronheim antwoordde prompt en slagvaardig: „Omdat ons gebleken is dat daaraan behoefte bestaat. Het bedrijfsleven kan, naar mij duidelijk geworden is — en dit geldt natuurlijk eveneens voor grote verenigingen en bonden — er wel bij varen, indien een gespecialiseerde en deskundige instantie zich in volle omvang kan bezig houden met de organisatie van congressen, rondleidingen enz., met al hetgeen daarbij komt kijken. U moet trouwens niet vergeten dat goed georganiseerde internationale congressen en de te verlenen faciliteiten, alsmede de doelmatig ontworpen excursies, die de prettige omgang en onderlinge verstandhouding van de deelnemers(sters) kunnen bevorderen en aldus een aangename sfeer kunnen scheppen, een niet onaanzienlijke good-will voor ons land betekenen."

#### Aandeelhoudersvergaderingen

„U sprak zo even over het organiseren van aandeelhoudersvergaderingen; hoe stelt u zich zulks voor, want het zijn toch de directies der ondernemingen die de aandeelhoudersvergaderingen op grond van de statuten uitschrijven?," zo vroegen wij.

„Ik ben blij dat u die vraag stelt," aldus antwoordde de heer Cronheim. „Laat ik voorop stellen, zo ging hij voort, dat ik geen expert ben op het gebied van het vennootschapsrecht. Ik ben organisatie-deskundige; mijn vak is het organiseren van bijeenkomsten van allerlei aard, zoals ik u reeds vertelde. En nu meen ik dat ook aandeelhoudersvergaderingen de aandacht waard zijn, zodat deze eveneens onze belangstelling hebben. Alles wat wij doen, doen wij ten behoeve van onze opdrachtgevers. Wij willen onze opdrachtgevers helpen een goede beurt te maken en het gespecialiseerde werk uit handen nemen.

Wij treden naar buiten niet op en denken er bv. niet aan om de agenda voor aandeelhoudersvergaderingen op te

stellen. De zakelijke aangelegenheden die op dergelijke vergaderingen worden besproken, zijn uitsluitend zaak van de directie en commissarissen. Maar ziet u, die aandeelhoudersvergaderingen zijn, met wellicht enkele uitzonderingen, vervelend en te plichtmatig. Het zijn geen „levende" bijeenkomsten, behalve wanneer er onenigheid heerst of andere moeilijkheden zijn.

#### Wat er gedaan kan worden

Wij kunnen ons belasten — aldus Mr. Cronheim — met adviezen inzake de voorbereiding en de organisatie van aandeelhoudersvergaderingen, de bepaling van tijd en plaats. Maar vooral menen wij dat de aandeelhoudersvergaderingen aantrekkelijker gemaakt kunnen worden, door bv. een goed inzicht te geven in de vooruitgang en ontwikkeling van het bedrijf of van bepaalde delen van het bedrijf. Verschillende aspecten van de onderneming zou men kunnen belichten en na afloop der vergadering zou men bv. de leidende functionarissen en afdelingschefs met aandeelhouders kunnen laten kennis maken. Deze chefs zou men een korte causerie kunnen laten houden, laat ons zeggen over de research-arbeid die er verricht wordt, over de te voeren reclame-campagne, over de sociale voorzieningen, over nieuwe procédés of een efficiënte werkmethode enz. Een korte film over het bedrijf zou eveneens in zo'n schema passen. Kortom, aldus de heer Cronheim, op deze wijze zou in een ongedwongen samenzijn na de eigenlijke vergadering, een soort van confrontatie tussen directie, commissarissen en aandeelhouders plaats hebben, die ongetwijfeld de belangstelling van de aandeelhouders in het bedrijf of de onderneming zal stimuleren en bevorderen, hetgeen eveneens een bedrijfsbelang mag heten, want de gehechtheid aan de zaak waarin men aandelen heeft, zal daardoor stellig toenemen.

Nu moet ik hierbij nog opmerken, zo besloot Mr. Cronheim, dat wat ik hier heb gezegd, niet moet opgevat worden als een alléén-zaligmakend recept, want wat voor het ene bedrijf goed of gewenst is, is voor een ander bedrijf niet of minder op zijn plaats. Ook in dit opzicht moet men zich aanpassen aan de omstandigheden, de stand van zaken en de ontwikkeling in een bepaald bedrijf. Feitelijk behoort een en ander tot het public relations programma van een bedrijf, een programma dat men moet ontwerpen en ten uitvoer leggen overeenkomstig de aard, de ontwikkeling, de werkzaamheid enz. van het bedrijf".

(Advertentie)

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#### Een pied à terre

Ten slotte toonde de heer Cronheim ons nog de ruime vergaderzaal in zijn kantoorgebouw, waar desgewenst directies en commissies rustig kunnen vergaderen, of waar gasten die op uitnodiging van een of andere onderneming zijn rondgeleid, kunnen verpozen, aantekeningen maken of uitwerken en derhalve een kortstondig pied à terre kunnen hebben, zonder gevaar te worden gestoord.

Wij herinneren er nog aan dat commissarissen van de N.V. Congresbureau „Holland Organising Centre" zijn: Jhr. P. R. Feith, directeur van Heineken's bierbrouwerij Mij., Mr. H. J. Kruls, adviseur-directeur verkoop en vervoer der K.L.M., W. H. de Monchy, hoofddirecteur van de Holland-Amerikalijn, Dr. Paul Rijkens, oud-voorzitter van de Raad van Bestuur van Unilever en Drs. E. van Tongeren, directeur van Excerpta Medica.



## N.V. Chemische Fabriek „Naarden” te Naarden

### Geschiedenis

Toen Dr. Willem A. van Dorp, de tegenwoordige gedelegeerd commissaris en de promotor van dit bedrijf in 1908 naar „Naarden” kwam, was de glycerinefabriek van de Gooilander Barend Kruysmulder amper drie jaar oud en een nogal armzalige bedoening, die destijds was ondergebracht in een oude suikerfabriek. De glycerine kreeg al gauw gezelschap van etherische oliën (kummel-olie uit karwijzaad). Een gunstige factor vormde hier het feit, dat Nederland door zijn bodemstructuur en klimaat een karwijzaad van hoge kwaliteit verschaft. Etherische oliën vormen een bijzonder uitgestrekt terrein. Het is dan ook begrijpelijk, dat „Naarden” zich niet beperkte tot het distilleren van karwijzaadolie, maar ook andere inheemse en buitenlandse oliën ging produceren en verhandelen. De belangstelling in die dagen voor deze producten was echter gering, en het ging dan ook niet met „Naarden”. De wankelende positie van de vennootschap werd wel zeer duidelijk gedemonstreerd door het feit, dat toen Barend Kruysmulder op een kwade dag naar een bank ging, omdat hij zijn bedrijfskapitaal met f. 40.000 wilde uitbreiden, de bank een onderpand vorderde van f. 90.000 in effecten. De oprichter stierf in 1916 en Dr. Willem A. van Dorp werd directeur, hetgeen echter niet wilde zeggen, dat „Naarden” toen wel floreerde. Integendeel. Men had in de Eerste Wereldoorlog weliswaar belangrijke opdrachten voor het Nederlandse leger, doch dit nam niet weg, dat kort na deze oorlog 65% van het personeel ontslagen moest worden, terwijl de aandelen op zegge en schrijve 20% van de nominale waarde werden afgestempeld. Met een kapitaal van rond f. 875.000 maakte „Naarden” in drie jaar tijd een verlies van f. 1.124.000. Maar op de een of andere manier wist Dr. Willem A. van Dorp het bedrijf toch boven water te houden, want in 1925 maakte hij zelfs weer een winst van f. 3.500.

En in 1939, vóór het uitbreken van de Tweede Wereldoorlog was „Naarden” een redelijke chemische fabriek met één dochteronderneming in Brussel, maar — niet méér dan dat ...

### Na de oorlog

Pas na de oorlog gebeurde het. De uitbreiding tot een concern met 13 dochterondernemingen, te weten in Bombay, Brussel, Buenos Aires, Djakarta, Hamburg, Hongkong, Johannesburg, Kopenhagen, Löddeköpinge (Zweden), Londen, Oslo, Parijs en Tokio, alsmede met een groot aantal agent-schappen, waar goeddeels de Nederlanders aan de touwtjes trekken. Met recht mag men hier dan ook spreken van een formidabele ontwikkeling, waaraan naar onze mening ook wel een zekere dwang ten grondslag lag. De hoge tariefrechten op zaken als etherische oliën maakten het namelijk noodzakelijk eigen fabrieken in het buitenland te stichten, die de grondstoffen uit Nederland betrokken, maar zelf halffabrikaten en eindprodukten maakten. Tevens was hiermee echter de grondslag gelegd voor een gezonde exportpolitiek, waarvan men in latere jaren de vruchten heeft geplukt. In 1958 bedroeg de export namelijk niet minder dan 74% van de totale omzet.

Ook het produktieprogramma onderging in de loop der jaren een belangrijke uitbreiding. Uit de etherische oliën kwamen de synthetische reukstoffen voort, die — in een later stadium — van grondstoffen veredeld werden tot halffabrikaten, zowel ten dienste van de parfumerie (in de vorm van parfumcomposities) als van de levensmiddelenindustrie. Via de levensmiddelensector ging men vruchtendistillaten en -sappen produceren, terwijl speciale aandacht werd gewijd aan natuurlijke vruchten-essences. Uit contacten met de levensmiddelenindustrie bleek voorts de belangrijke plaats van natriumbenzonaat en haar derivaten als conserveermiddel. Het feit, dat in Nederland een uitnemende toluen verkrijgbaar is, waaruit deze stoffen bereid worden, was er mede oorzaak van, dat „Naarden” zich na de laatste wereldoorlog ook ging toeleggen op het fabriceren van conserveermiddelen. In dezelfde sector liggen octylenen en dodecylgallaat, door „Naarden” in samenwerking met het C.I.V.O. ontwikkeld en in produktie gebracht. Deze galluzure esters spelen een belangrijke rol bij het tegengaan van ransheidbederf van eetbare oliën en vetten. Ook de extractie van theobromine en cafeïne kan tot de levensmiddelenindustrie worden teruggeleid. Begonnen werd namelijk met het extraheren van cacaoboter uit vethoudend cacaoschroot. De cacaoboter werd van het produktieprogramma afgevoerd; uit het magere cacaoschroot worden echter nog steeds theobromine en cafeïne geëxtraheerd.

### Kapitaal

Vanzelfsprekend heeft deze belangrijke expansie een uitbreiding van het aandelenkapitaal met zich meegebracht. Het beginkapitaal in 1905 bedroeg f. 800.000 en werd sindsdien geleidelijk vergroot, zodat in 1919 f. 1.150.000 gewone aandelen en f. 25.000 preferente aandelen uitstonden. Zoals gezegd werd in de jaren 1920-22 rond f. 1.124.000 verloren, welk verlies grotendeels werd gedekt door afschrijving van 80% op de gewone en preferente aandelen. De verder te dekken f. 184.000 werd door de Bank der maatschappij voor zijn rekening genomen. In 1930 nam de Bank voorts nog de kosten van een verloren proces van vóór de reorganisatie van 1922 voor zijn rekening door genoegen te nemen met de terugbrenging der prioriteitsaandelen van f. 1.000 op f. 820 per stuk. Deze 700 (nom. f. 574.000) prioriteitsaandelen werden volgens besluit van 30 juli 1937 omgezet in f. 574.000 gewone aandelen en de voor genoemde reductie der prioriteitsaandelen in 1930 afgegeven 700 restantbewijzen van f. 180 waardeloos verklaard. Het daarna uitstaande bedrag der gewone aandelen ad f. 804.000, werd in 1938 door intrekking van f. 4.000 ingekochte aandelen op f. 800.000 gebracht. Vervolgens werd in november de inschrijving opengesteld op f. 400.000 nieuwe aandelen tegen 120%, in april 1949 van f. 1.200.000 tegen 110%, in april 1951 van f. 1.200.000 tegen 110% en in maart 1956 van f. 900.000 tegen 150%. Tenslotte werden in begin 1957 alle f. 500.000 aandelen van Jan Dekker overgenomen, waardoor het geplaatste kapitaal op f. 5.000.000 kwam, welk bedrag thans nog uitstaat.

### Het jaarverslag 1958

Met het boekjaar 1958 werd, zoals in de naoorlogse periode steeds het geval is geweest, wederom een succesvolle periode afgesloten. De gang van zaken zowel bij het eigen bedrijf in Naarden als bij de dochterondernemingen in het buitenland is zeer bevredigend geweest, terwijl daarnaast ook het bedrijf te Wormerveer (Jan Dekker) na de reorganisatie reden tot tevredenheid gaf. Van bijzonder belang mag het worden genoemd, dat de stijging van de omzet — met ca. 4,5% — gepaard is gegaan met een voortzetting van de geleidelijke verschuiving van de omzetten naar produkten met een hogere toegevoerde waarde, zoals uit de volgende cijfers moge blijken:

Omzetten met een toegevoegde waarde, berekend op basis van de grondstofkosten

	100 % of lager	boven 100 %	totaal
1954	70	30	100
1955	75	34	109
1956	70	40	110
1957	67	49	116
1958	68	53	121

De directie vertrouwt, dat de ontwikkeling, die door de indexcijfers in de tweede en derde kolom wordt geïllustreerd, zich in de naaste toekomst zal voortzetten. Deze verschuiving is daarom van zo groot belang, omdat zij het exploitatie-saldo gunstig beïnvloedt, hetgeen in later in deze beschouwing te noemen resultaatcijfers duidelijk tot uitdrukking komt.

Ten aanzien van de verschillende afdelingen van het bedrijf te Naarden kan vervolgens nog worden opgemerkt, dat de buitengewoon slechte zomer van 1958, de verhoging van accijns op gedistilleerd en de diverse exportmogelijkheden voor de suikerwerkindustrie hier te lande, niet hebben nagelaten invloed te hebben gehad op de afzet van smaakstoffen (voornamelijk vruchtenessences) op de binnenlandse markt. Het mag dan ook een verheugend verschijnsel worden genoemd, dat desondanks toch een vooruitgang van de desbetreffende afzet kon worden bereikt. Door een voorspoedige gang van zaken in de meeste van de exportgebieden kon zowel voor de smaakstoffen als voor de parfumeriecomposities, een niet onbelangrijke stijging van de omzetten worden behaald. Bij de afzet van reukstoffen werd bij voortdurend een aanzienlijke concurrentie ontmoet, waardoor de resultaten bij deze afdeling enigermate bij die over het voorgaande jaar ten achter bleven. In verband met de gunstige ontwikkeling zowel in de fabriek van theobromine en cafeïne als in de fabriek voor de conserveringsmiddelen natriumbenzoaat en benzoëzuur, werd de productiecapaciteit van beide bedrijven in de loop van 1957 uitgebreid. In 1958 werkten beide bedrijven wederom voortdurend op volle capaciteit. De gang van zaken ten aanzien van de productie en afzet van gedistilleerde glycerine tenslotte was eveneens bevredigend.

N.V. Jan Dekker

In het bestaande productieprogramma van het bedrijf te Wormerveer is op ingrijpende wijze het mes gezet, hetgeen zal worden opgevangen door de nieuwe fabriek voor de vervaardiging van ruwe theobromine. Deze nieuwe fabriek, die in de bestaande verhoudingen een vooraanstaande plaats zal innemen, zal nog dit jaar in productie worden gebracht. Hiermee heeft „Naarden” dan ook de beschikking gekregen over mogelijkheden, die te Naarden niet aanwezig zijn. Volgens het bestuur is de prijs van overneming van Jan Dekker dan ook niet te hoog geweest. Nadat er bij het bedrijf te Wormerveer ontslagen waren gevallen wegens inkrimping van de

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productie, worden er thans weer werknemers aangetrokken. Bovendien is men bezig voor het nieuwe bedrijf een behoorlijke arbeidersbestand op te bouwen. Inzake het pensioenfonds van Jan Dekker, waarvoor de fondsen (ca. f. 1 miljoen) niet aanwezig bleken te zijn, werd een in alle opzichten bevredigende regeling getroffen met alle betrokkenen.

Cijfers der laatste drie jaren

De balansen der laatste drie jaren geven — in f. 1.000 — het volgende beeld per 31 december:

	1958	1957	1956
<b>Vastgelegde Activa:</b>			
Gebouwen terreinen	2.120	1.602	1.114
Installaties	2.397	1.974	1.889
Deelnemingen en vord.	4.008	4.059	2.857
<b>Vlottende Activa:</b>			
Voorraden	5.912	5.550	5.334
Debiteuren	4.483	4.934	4.611
Effecten	2	2	2
Kas, bank en giro	262	91	1.036
	19.184	18.212	16.643
<b>Eigen vermogen:</b>			
Gew. aandelenkapitaal	5.000	5.000	4.500
Prof. aandelenkapitaal	5	5	5
Agio-reserve	766	766	442
Statutaire reserve	328	286	244
Uitbreidings- en vernieuwingsreserve	1.280	1.055	1.180
Reserve voor prijsdaling en diverse belangen	865	865	865
Reserve deelnemingen	200	—	—
Reserve debiteuren	535	500	500
Saldo nieuwe rekening	16	9	5
	8.995	8.486	7.741
<b>Voorzeningen</b>	869	833	703
<b>Vreemd vermogen op lange termijn:</b>			
Leningen	2.067	2.052	2.137
<b>Vlottende Passiva:</b>			
Crediteuren <sup>1)</sup>	6.363	5.811	6.062
Leningen	890	—	—
Bank	—	1.030	—
	7.253	6.841	6.062
	19.184	18.212	16.643
<sup>1)</sup> waaronder opgenomen:			
Dividenden	500	500	450
Tantièmes	125	125	113

De resultaten van de laatste drie jaren kunnen — in f. 1.000 — als volgt worden opgesteld:

	1958	1957	1956
Saldo exploitatierek.	2.407	2.301	1.870
Af: extra kosten voor de outw. van nieuwe exportmogelijkheden	78	70	57
Ontwikkelingskosten nieuwe projecten	81	137	172
Kosten geldlening	—	—	15
	159	207	244
<b>Beschikbaar na aftr. bel. waarvan bestemd om in bedrijf te houden:</b>	2.248	2.094	1.626
Af schrijvingen op basis van vervangingswaarde	711	626	544
Extra afschrijving	400	75	163
Uitbreidings- en vernieuwingsreserve	225	200	125
Reserve deelnemingen	200	—	—
Res. uitstaande vord.	38	112	94
Reorganisatieverlies Jan Dekker N.V. en Indonesië	—	410	—
Statutaire reserve	42	42	38
Waterzuivering	—	—	100
Onverdeeld	7	4	1
	1.623	1.469	1.063
en bestemd voor uitkering:			
Dividenden	500	500	450
Tantièmes	125	125	113
	625	625	563

Uit deze vergelijkende cijfers valt duidelijk te constateren, dat nu geen reorganisatieverlies behoefde te worden gedekt bij Jan Dekker N.V. en niets meer op de deelneming in

Indonesië behoefde te worden afgeschreven, het dividend ruim is gedekt. Van de aan aandeelhouders toekomende winst werd namelijk slechts 45% uitgekeerd, terwijl het restant ter versterking van de interne positie in bedrijf werd gehouden. Een beleid, dat ongetwijfeld mag worden toegejuicht, temeer daar voortdurend nieuwe investeringen moeten worden gedaan, waarvan het rendement eerst na verloop van tijd zal blijken. Bovendien mag het een verheugend verschijnsel worden genoemd, dat de voorzieningen, die het karakter van vrije reserveringen hebben, zoals de extra afschrijving, de reserve tegen deelnemingen, de uitbreidings- en vernieuwingsreserve, alsmede grotendeels de reserve tegen uitstaande vorderingen in binnen- en buitenland niet geschieden uit de aan aandeelhouders toekomende overwinst.

#### Gezonde financiële positie

De opgestelde balanscijfers leren ons voorts, dat de financiële positie van het bedrijf een gezonde indruk maakt. De reserves bedragen ca. 80% van het uitstaande aandelenkapitaal, waarvan de agio-reserve alleen al ruim 15%. Op basis hiervan kan de intrinsieke waarde van het aandeel „Naarden” dus op 180% worden berekend. Deze waardering komt echter veel hoger uit wanneer men rekening houdt met het feit, dat de gebouwen en terreinen met een boekwaarde van f. 2.1 miljoen een aanschaffingswaarde hebben van f. 3.3 miljoen, terwijl voor de installaties met een boekwaarde van f. 2.4 miljoen, een aanschaffingsprijs geldt van f. 7.4 miljoen. Voorts zijn de deelnemingen en vorderingen op deelnemingen gewaardeerd tegen kostprijs of lager en de voorraden geïnventariseerd tegen historische kostprijs of vervangingswaarde, indien deze lager is. Verder blijkt uit het verslag, dat de vrije reserves bij de dochterondernemingen, waarbij Indonesië buiten beschouwing is gelaten, een bedrag belopen van f. 785.000 tegen f. 725.000 in 1957 en f. 695.000 in 1956. Weliswaar zou een geconsolideerde balans een nog beter inzicht in de vermogenspositie geven, doch concurrentieoverwegingen weerhouden de directie tot de publikatie van deze cijfers. Niettemin heeft men getracht om de aandeelhouders tegemoet te komen door een aantal gegevens in het verslag op te nemen, welke geste sympathiek aandoet.

De primaire liquiditeit van „Naarden” nam in het verslagjaar toe van f. 92.514 tot f. 263.364, terwijl de bankschuld

werd omgezet in een kortlopende lening tegen een rentevergoeding van 4% 's jaars.

#### Investeringen

De investeringen in vaste activa bedroegen in 1958 f. 2.051.715 (f. 1.474.591), hetgeen echter niet in overeenstemming was met de in november 1958 gedane tussentijdse mededeling, waarin werd gezegd, dat de investeringen in het afgelopen boekjaar praktisch op hetzelfde niveau lagen als in 1957. Het bedrag aan investeringen, die in 1959 worden gedaan, kon de directie nog niet definitief mededelen, maar men hoopt deze uit eigen middelen te kunnen bestrijden. Mochten er echter bijzondere plannen naar voren komen, dan zullen maatregelen genomen moeten worden. Een beroep op de kapitaalmarkt ligt echter niet in het voornemen, veeleer zal in dat geval een groter beroep op de bankiers worden gedaan.

#### Vooruitzichten

Voor „Naarden” is de eerste helft van 1959 zeer tevredenstellend geweest. De tendens, dat produkten met een grotere toegevoegde waarde procentueel een belangrijker aandeel van de omzet gaan uitmaken, zet zich voort. Daarnaast nemen de omzetten toe, doch aan de andere kant is dat ook het geval met de kosten. Tot nu toe liggen de omzetten op een hoger niveau dan vorig jaar.

#### Conclusie

Het voorgaande in aanmerking genomen, komen wij tot de conclusie, dat de Chemische Fabriek „Naarden” een energiek geleid bedrijf is, waarbij een geregeld toenemende ontwikkeling valt te constateren en waarvan de aandelen op iets langere termijn bezien ongetwijfeld nog interessante perspectieven bieden, temeer daar de chemische industrie als geheel in het bedrijfsleven een in belangrijkheid toenemende rol belooft te spelen.

Koers- en dividendverloop der aandelen Chemische Fabriek „Naarden”

Jaar	Hoogste koers	Laagste koers	Dividend
1950	185	160	8%
1951	184½	148½	9%
1952	165	135	9%
1953	169½	150	9%
1954	219½	170	10%
1955	308	207½	10%
1956	267	165	10%
1957	188½	142	10%
1958	198	145	10%

#### CRITERIA VOOR GROEIFONDSEN

Onder de titel „Tien geboden voor groeifondsen” heeft het Algemeen Handelsblad melding gemaakt van de volgende criteria welke de deskundigen bij de beoordeling hiervan stellen, welke criteria genoemd blad ontleende aan een beschouwing in het Amerikaanse maandblad Fortune:

1. De onderneming dient ten minste drie jaren achtereen een behoorlijke groei te hebben doorgemaakt. Zo niet, dan kan men te doen hebben met een fonds dat onderhevig is aan cyclische conjunctuurschommelingen of zelfs een volkomen speculatief karakter draagt.

2. Hoewel groeifondsen ook kunnen worden aangetroffen in tot volle wasdom gekomen bedrijfstakken, vindt men ze meestal in sterk expansieve industrieën, waarmee wordt bedoeld industrieën, die sneller groeien dan de nationale economie en in staat lijken, dat sterke groeitempo vol te houden.

3. Bij een groeifonds dient de netto-winst per jaar met ten minste 8 à 10% toe te

nemen, onverschillig of het goede of minder goede jaren betreft, ten minste in doorsnee. In een tijd van economische neergang moet de betrokken onderneming zich onderscheiden door stabiliteit van de winstcapaciteit. De winst op nieuw kapitaal of nieuwe investeringen, die in enigerlei vorm in de onderneming worden ingebracht, dient ten minste gelijk te zijn aan die op het oude kapitaal.

4. Hoe dichter de produkten van een onderneming bij de verbruiker staan des te beter.

5. De onderneming dient een topospositie op haar eigen markt in te nemen en haar research, produktie en verkoopmethoden dienen een aanwijzing te vormen, dat deze vooraanstaande positie kan worden gehandhaafd.

6. Is er nog geen dividend uitgekeerd, dan moeten er aanwijzingen zijn dat zulks binnen twee of drie jaar zal geschieden. Hoewel dividenden van groei-ondernemingen laag zijn naar verhouding tot de netto-winsten — omdat groei-ondernemingen het grootste deel

van de winsten in het bedrijf plegen te houden — moeten ze toch min of meer evenredig aan de toeneming van de winsten stijgen.

7. Het vermogen van de onderneming, versterkt hetzij door een aanzienlijke cash flow (afschrijvingen plus ingehouden winsten) hetzij door gebruik van krediet, dient voldoende te zijn om het tempo van de expansie vol te kunnen houden met een minimum aan verwatering van de intrinsieke waarde van het aandeel.

8. Het beleid moet zich kenmerken door waakzaamheid, vindingrijkheid en souplesse, zodat veranderingen daarin geen ongunstig effect op de gang van zaken hebben.

9. De omvang van de onderneming dient te worden bezien in verhouding tot de markt-grootte. Gewoonlijk betekent een grote onderneming, dat deze haar groei-periode reeds grotendeels achter de rug heeft.

10. Slotconclusie: De werkelijke expansiekracht komt voort uit intern gerichte krachten in de onderneming, die winsten voortbrengen.





## Wall Street in vogel

De effectenbeurs van New York neemt in de Amerikaanse en daardoor in de economie van het vrije Westen een zeer belangrijke plaats in. Gevestigd op de historische plek van Wall Street heeft de verhandelingsmetro-pool voor effecten in het leven van miljoenen mensen een uiterst voorname rol gespeeld. De New York Stock Exchange, zoals de beurs van Wall Street officieel in de V.S. bekendstaat, is Amerika's grootste organisatie voor de verhandeling van effecten waar talrijke aangesloten leden-brokers (effectenmakelaars) hun opdrachten uitvoeren. Wall Street is tevens de plaats waar men mede-eigenaar kan worden van het bedrijfsleven m.a.w. waar het ideaal van het leidende team van de Stock Exchange om zoveel mogelijk Amerikanen in het bezit te stellen van aandelen in de ontelbare Amerikaanse ondernemingen, in reële vormen worden omgezet.

De New Yorkse effectenbeurs is bijna even oud als de Verenigde Staten zelf als organisatie. Wall Street was eens het politieke centrum van de U.S.A., want hier werd George Washington beëdigd en hier kwam ook het Congres voor het eerst in vergadering bijeen. Vanaf deze plaats kondigde het Congres in 1790 een belangrijke lening aan van \$ 80 miljoen om de Vrijheidsoorlog te financieren.

Voor de uit deze leningsaankondiging stammende afzonderlijke stukken ontstond rond het regeringscentrum al spoedig een soort markt, waarbij zich ook de verhandeling van aandelen in verzekeringsondernemingen aansloot.

Nadat in 1793 onderdak was gevonden in het nieuw gebouwde Tontine Koffie Huis aan de noordwestzijde van Wall Street, ontwikkelde zich uit dit prille verhandelingsbegin al spoedig een snel in betekenis toenemende

effectenmarkt. In reeds 19 verzel vervoersondernemingsbedrijf genot

Daarna kwam ruimte door de st handel te klein w Tontine Huis naa bekend staat, de Stock Exchange.

De naam „New 1863 aangenomen schap van deze baar gemaakt, v populariteit van naar voren komt gewerkt door een stroom van omz m de dagelij joen aandelen. T 1366 leden.

Een lid kan ee van stemgerechtig zijn, die zich bezig van effecten. Er z instellingen in A

De naam en be effectenbeurs beh meer. Ieder die met effecten te m loop van zijn be na de voorpagin onmiddellijk over Amerikaanse beu drag van „Wall S pas is voor het do Vandaar dat de om nog eens me eindigen, ook in N plaats heeft we

7 uur 's morgens. Employés van de beurs wachten tot de deuren open-gaan. Het standbeeld op de voor-grond geeft de plaats aan waar George Washington als eerste pre-sident van de Verenigde Staten werd beëdigd.

11,30 uur. Bezoekers zien belang-stellend toe hoe beneden hen de beurshandel zich voltrekt. Vanaf het balkon onder de lichtklok wer-pen projectors het beeld van het „ticker-lint” op grote schermen die in de vier hoeken van de zaal zijn aangebracht.



## in vogelvlucht

effectenmarkt. In 1827 bijvoorbeeld werden reeds 19 verzekeringsondernemingen, een vervoersonderneming en het eerste openbare nutsbedrijf genoteerd.

Daarna kwamen de sporen en toen de ruimte door de steeds omvangrijker wordende handel te klein werd, verhuisde men van het Tontine Huis naar wat nu als Wall Street 40 bekend staat, de plaats van de New York Stock Exchange.

De naam „New York Exchange” werd in 1863 aangenomen. In 1868 werd het lidmaatschap van deze Stock Exchange verhandelbaar gemaakt, waaruit de steeds grotere populariteit van het effectenbedrijf duidelijk naar voren komt. Dit werd ook in de hand gewerkt door een voortdurend toenemende stroom van omzetten. In 1886 bijvoorbeeld om de dagelijkse omzet boven de 1 miljoen aandelen. Thans telt de Stock Exchange 1366 leden.

Een lid kan een deelnemer of een houder van stemgerechtigde aandelen in instellingen zijn, die zich bezighouden met de verhandeling van effecten. Er zijn thans 657 van dergelijke instellingen in Amerika werkzaam.

De naam en betekenis van de New Yorkse effectenbeurs behoeft verder geen verklaring meer. Ieder die op de een of andere wijze met effecten te maken heeft en het koersverloop van zijn bezit regelmatig bijhoudt, zal na de voorpagina van het ochtendblad wel onmiddellijk overgaan naar de rubriek van de Amerikaanse beursnoteringen, omdat het gedrag van „Wall Street” een belangrijk kompas is voor het doen en laten van het Damrak. Vandaar dat de New York Stock Exchange, om nog eens met deze officiële benaming te eindigen, ook in Nederland een vooraanstaande plaats heeft weten in te nemen. W.



Hier worden de zaken gedaan!  
Onder: bedienden aan het werk.  
Midden: de leden zijn ingespannen bezig.  
Achtergrond: makelaarsbedienden nemen telefonisch orders op.

Na om precies 10 uur te zijn begonnen eindigt de beurshandel om 15 uur. Om half vier moeten de bezoekers het gebouw hebben verlaten. Het is nu 15 uur (zie lichtklok) en de laatste bezoekers verzwijnen, terwijl een aantal bedienden nog hun aantekeningen uitwerken. De schoonmaakploeg staat op het punt uit te rukken.

De op deze pagina's afgedrukte foto's zijn van David Linton, Camera Press, London.



## OVER DE BALIE



„Vorig jaar was ik verhinderd, meneer Huygens, maar dit jaar ben ik weer naar de aandeelhoudersvergadering van de Billiton geweest. En zeker niet tot mijn spijt. De belangstelling was groter dan vorige jaren, wat overigens wel begrijpelijk was; ieder wilde nu wel eens weten hoe de toekomst, speciaal t.a.v. de winstmogelijkheden, door het bestuur beoordeeld wordt.”

„En u bent bepaald niet teleurgesteld weer huiswaarts getogen? De toekomst ziet er zeker niet somber uit, ook al zullen de winsten dan nog niet zodanig zijn als in de periode dat er nog transfers uit Indonesië kwamen, maar aandeelhouders mogen zeker over het lopende jaar weer op 15% dividend voor de aandelen Rubriek II en 20% voor de aandelen Rubriek I rekenen. De grote investeringen die sinds de oorlog in andere gebieden zijn gedaan en ook nog verder zullen gebeuren, gaan geleidelijk hun rendement opleveren. Dat bovendien de verwachting werd uitgesproken dat de komende 10 jaren een stijging van de tinprijs mag worden verwacht, zegt toch ook wel iets. Zeker bij dit uiterst voorzichtige bestuur.”

„Voorzichtig is dit bestuur zeker, maar knappe koppen zijn het ook! Zoals deze mensen sinds de oorlog een beleid hebben gevoerd! Ik heb er het grootste respect voor en ik ben het volkomen eens met de aandeelhouder die het bestuur een flinke pluim op de hoed stak. Trouwens ik niet alleen, dat bewees wel het applaus. Hoewel de verslaggeving vooral dit keer nog het nodige te wensen overliet, werd dit door elke aandeelhouder volkomen geëerbiedigd.

Jammer vind ik het dat de Pers de aan het begin van de vergadering door de Voorzitter afgelegde verklaring niet volledig heeft overgenomen. Die rede was gestencild en voor de persmensen verkrijgbaar, maar ja, de kranten hebben meestal ook met de plaatsruimte te woekeren. Gelukkig heb ik na afloop van de vergadering nog zo'n exemplaar van de verklaring in handen gekregen, maar waarom laat de directie niet een wat groter aantal maken, dan kan elke aandeelhouder een exemplaar krijgen. Aan de hand van de gedeponeerde aandelen weten de heren precies hoeveel aandeelhouders er ter vergadering komen.”

„Stelt u het bestuur dat dan maar voor.”

„Overigens, meneer Huygens, geen haar op mijn hoofd denkt er meer over om mijn belang bij de Billiton te verminderen. Groeikansen zijn er zeker aanwezig en als je naar mijn mening wat geduld hebt, zit je met dit aandeel altijd goed.”

„U weet dat ik er ook zo over denk en dan, getrouw aan de goede gewoonte zal de Billiton per 2 januari a.s. wel weer een interim-dividend betaalbaar stellen en het zou me wel heel sterk verwonderen indien dat dit keer weer niet op het oude percentage zou worden gebracht, nl. 12½% voor de aandelen Rubriek I en 7½% voor die van Rubriek II.”

„Billiton houden we dus, maar wat ik — al heb ik er wel eens met een scheef oog naar gekeken — voorlopig ook wil houden is Indola. Er waren bij dat fabrieksbezoek hetwelk Bel.-Bel. had georganiseerd zoveel mensen dat ik u wel gezien, maar niet gesproken heb. Daarom wil ik nog graag even op dat bezoek terugkomen. Ik geloof dat dit bezoek voor menigeen een openbaring is geweest en vooral de uitvoerige beantwoording van de vele vragen die werden gesteld moet de mensen als muziek in de oren hebben geklonken.”

„Dat lijkt me ook, meneer Van der Wal, want ik weet niet of

u het koersverloop hebt gevolgd. De dag vóór het bezoek was de koers 332%, de dag na het bezoek 340% gb. en de dag daarop 350%. Ik vermoed zo dat vele der aanwezigen prompt na thuiskomst hun saldo hebben nagekeken of er de aankoop van een aandeel Indola nog afkon. Dat later — tengevolge van de zeer flauwe periode — weer een stuk van de koers afging heeft me niet verwonderd. Ten slotte zijn er altijd mensen die dan nog gauw hun winst willen binnenhalen.”

„Ja, winst binnenhalen, dat heeft me ook verwonderd t.a.v. de afnemers, die deelnemen aan de spaarregeling. Ik meen me te herinneren dat er eens in Bel.-Bel. (zie 20-7-1957) een uitvoerig artikel over dit onderwerp heeft gestaan, doch hoe het precies in elkaar zit weet ik niet meer.”

„Indola bracht met dit systeem iets nieuws en de regeling komt er in het kort op neer dat een afnemer van chemische produkten zegels van f. 1,— per f. 25,— aankoop, kan kopen. Die zegels worden in een boekje geplakt en heeft hij er 100 dan wordt de afnemer een aandeel van f. 100,— uitgereikt. De afnemer verwerft dus een aandeel a pari. Toen men ermee begon was de koers ter beurze zo omstreeks 160%, nu een kleine 200 punten hoger, dus onvoordelig was het geval bepaald niet.”

„Ben ik met u eens en daarom verwonderde het me zo dat bij het bezoek van bestuurszijde werd medegedeeld dat gebleken was dat in de grote steden 80% van de afnemers, direct nadat zij het aandeel hebben ontvangen, tot verkoop overgaan. Op het platteland daarentegen liggen de verhoudingen precies andersom en gaat slechts ca. 20% tot verkoop over. Hieruit zou men kunnen concluderen dat men buiten de grote steden meer „effecten-minded” is.”

„Nu, dat durf ik zo niet te onderschrijven. Ik denk dat het eerder in de mentaliteit zit. Op het platteland leeft men rustiger, maakt geen haast, kortom beschikt men over een grotere dosis geduld. En zeker bij effectenbezit is geduld en niet-overhaast handelen van grote waarde. Dat blijkt telkens weer. Men moet zich niet door een plotselinge koersdaling uit het veld laten slaan, maar zich afvragen wat de oorzaak van grote mutaties kan zijn.”

„Daar praten we later nog wel weer eens over, maar wat me nog interesseert dat is dat andere systeem van sparen hetwelk Indola schijnt te hebben. Althans er werd bij het bezoek naar gevraagd en ik kreeg de indruk dat het nog een unicum is.”

„U bedoelt het spaarsysteem voor employés. U hebt reeds gehoord dat er een grote belangstelling voor bestaat. Hier kunnen aan meedoen — op basis van vrijwilligheid — alle personeelsleden, mits meerderjarig en tenminste 1 jaar in dienst van de vennootschap. Directeuren, onder-directeuren e.d. zijn van de regeling uitgesloten. In de periode van ca. 15 mei tot 1 juli van elk jaar wordt gelegenheid gegeven tot het reserveren van een of meer aandelen Indola tegen een koers van 100% vermeerderd met de helft van het verschil tussen pari en de beurskoers op de dag van het reserveren, m.a.w. zou reserveren thans mogelijk zijn, bij een beurskoers van bv. 350% dan spaart men tegen 100% plus de helft van 250% is 125%, dus tegen 225%. Voor een aandeel van f. 100,— nominaal moet dus in een periode van minimaal 9 maanden en maximaal 3 jaren een bedrag van f. 225,— bijeengespaard worden. Zodra het aandeel bij elkaar gespaard is blijft het nog een geringe tijd geblokkeerd; dit om misbruiken te voorkomen. De deelnemer kan het dus niet direct verkopen, maar andere eigendomsrechten, zoals het toucheren van dividend, claimrechten, stemrecht e.d. kan hij wel uitoefenen.”

„Tot nu toe zitten dergelijke deelnemers dus opperbest, want de koers is in de loop van dit jaar geleidelijk gestegen, maar als nu eens over bv. twee jaren de deelnemer zijn aandeel

huis krijgt en de koers is bv. ingezakt tot 200%, terwijl hij gespaard heeft tegen een koers van 350%, wat hij vandaag de dag zou kunnen doen, nu, dan zal je eens wat horen."

„Toch niet, meneer Van der Wal. Er is nl. van de zijde van Indola een risicogarantie die de zekerheid omvat dat aan de deelnemer op de derde dag na de opheffing van de blokkerings-termijn, wanneer het gemiddelde van de beurskoersen over 5 noteringen onmiddellijk aan die opheffing voorafgaande lager is dan bij de reservering, naast zijn aandeel een bedrag in geld ter hand wordt gesteld, dat gelijk is aan het verschil tussen het gespaarde bedrag per aandeel en het bedrag dat hij op basis van 50% agio op deze gemiddelde beurskoers verschuldigd zou zijn voor de aankoop van een aandeel. Dit systeem komt er op neer dat wanneer de „gereserveerde" koers 350% en de koers bij opheffing van de blokkering 200% zou zijn, de deelnemer zijn aandeel plus f. 75,— in contanten ontvangt. Dit is een bedrijfstoelage die derhalve volledig garant is gesteld."

„En als nu eens iemand om de een of andere reden wil ophouden met sparen?"

„Daar zijn verschillende regelen voor vastgesteld. Trouwens, ik noemde u slechts enkele punten: er is een uitgebreid reglement, hoor!"

„Een systeem dat navolging verdient. Het bindt de werknemers aan het bedrijf; geeft ze ook als aandeelhouder er belang bij en .... het bevordert de popularisering van het effectenbezit."

„Zeker, want vooral bij een goede voorlichting — en dat is Indola wel toevertrouwd — bestaat de kans dat de werknemer ook eens gaat omkijken naar andere aandelen."

### **Bevalt „Beleggers Belangen" u in de huidige samenstelling?**

Er is een verheugende belangstelling te constateren voor de enquête, die wij tegelijk met ons propaganda-nummer, dat wij de vorige week in grote oplage de wereld inzonden, lanceerden. Het is duidelijk wat wij hiermee beogen: wij willen graag een enigermate juiste indruk hebben van de waardering die de inhoud in „Beleggers Belangen" rubrieksgewijze bij onze abonnees geniet. Dit lukt ons alleen wanneer een redelijk percentage van onze lezers aan onze oproep gehoor geeft. Doch dit is niet alles, niet alleen zij die bepaalde wensen of bezwaren hebben moeten reageren. Ook zij, die van oordeel zijn, dat „Beleggers Belangen" precies zijn goede vorm heeft weten te vinden dienen ons hiervan mededeling te doen. Anders dreigt het gevaar dat wij aan een bepaalde rubriek gaan peuteren, terwijl dit misschien minder gewenst is.

Ja, ja, enquêtes zijn gevaarlijke instrumenten, tenminste wanneer niet de zekerheid bestaat, dat de ontvangen reacties een goede doorsnee opleveren en bovendien een voldoende groot percentage van het totaal aantal abonnees uitmaken.

Mogen wij dus nog iets van u horen, lezers die nog niet reageerden?



### **Laatste week september**

Hier begint dan de eerste aflevering van de weekoverzichten van de Amsterdamse effectenbeurs. Beleggers-Belangen beschikt wel over een formidabele groei en de overgang van een veertiendaagse periodiek op een weekblad is wel in een bijzonder korte tijd geschied, maar tot een dagblad heeft onze beleggingsgids het nog niet gebracht. Insiders weten bovendien dat de technische outillage van een dagblad nog heel wat meer geperfectioneerd is dan dat van een weekorgaan zodat de actualiteit aan betekenis verliest naarmate de tijdsafstand in een periodiek toeneemt. Voor de beursoverzichten van Beleggers-Belangen is de tweede dag van de week de afsluitperiode zodat in het vervolg elke bespreking een tijdvak bestrijkt dat eindigt bij deze dinsdag en begint bij de maandag van de onmiddellijk hieraan voorafgaande week.

Mr. „Chairman", de humoristische Amerikaanse benaming van 's werelds grootste comediant, de Russische heer

Chroestsjev, is nu uit de States in zijn land teruggekeerd na in de V.S. in alle toonaarden te hebben gezongen, gelachen, gescholden en zelfs gepredikt. En bij elke gemoedsstemming van deze

- Beurs herstelde zich krachtig.
- Voor een  $4\frac{1}{4}\%$  staatslening tijd nog niet rijp!

paladijn van de volksdemocratie reageerde de bakermat van het volkskapitalisme met een daling of een stijging. Toen de Russische Big Boss in het vertrekvliegtuig stapte en een koffer vol met joviale lachjes en jolige opmerkingen met zich meenam, zuchtte de New Yorkse beurs verlicht en veerde aanstonds krachtig op, het voortduren van de staalstaking ten spijt. Met deze staking wordt het economisch gezien steeds ongunstiger maar wat het menselijke betreft steeds komischer. Eisenhower's reactie dat hij

van de slepende onderhandelingen „ziek" werd doet in elk geval hoopgevend aan voor hen, die er ernstig rekening mee houden dat de Amerikaanse president het aan zal durven de macht van het arbeidskartel te doorbreken en de vuren onder de talrijke nu stilliggende Amerikaanse hoogovens weer zal doen opvlammen. Wanneer u deze regels onder de ogen krijgt is de oktobermaand reeds aangevangen en is de tijd aangebroken dat Eisenhower in de langste staalstaking, welke Amerika ooit heeft geteisterd, mag interveniëren en misschien reeds heeft geïntervenieerd. Maar of de partijen hier uiteindelijk door zullen zijn gebaat valt te betwijfelen. Uiteindelijk gaat het om de macht en de macht is in deze wereld van menselijke tekortkomingen een boos ding. Ondertussen maakt de Amerikaanse conjunctuur een verkorte toestand door die zich in het laatste kwartaal van 1957 en het eerste halfjaar van 1958 ook in de States heeft afgespeeld: een produktie-recessie, die zijn weerga niet vindt. Volgens de indexcijfers van de New York Times is de stand van bedrijvigheid in de V.S. nu bijna op het peil terechtgekomen dat in de zwartste dagen van de laatste economische inzinking heeft bestaan zodat er thans in de V.S. in feite een ernstige economische crisis heerst met dien ver-

stande, dat de basis op force majeure berust en niet op een natuurlijke weer-slag in de totaalsom van de menselijke economische bestedingen. Het gevolg is dat de aanwezige voorraden van allerlei materialen en gebruiksgoederen in versneld tempo opraken, vooral ook omdat de bestedingsdrang op een hoog peil blijft gehandhaafd en niets er op schijnt te wijzen dat de bestedingsbereidheid — de grote factor voor het niveau van de conjunctuurstand — evenredig met de produktie afneemt. Vandaar dat sommige economen zeer optimistische uitlatingen ten beste geven over de herstelcampagne die het Amerikaanse bedrijfsleven zal gaan vertonen zodra de staalstakingen maar beëindigd zijn. Tot deze laatste kan men nu ook de dynamische president van de New York Stock Exchange, de heer Keith Funston rekenen, die in Australië schijnt te hebben gezegd dat hij een nieuwe hausse verwacht waarvan ieder niet alleen verbaasd maar ook versteld zal staan.

Deze wel zeer optimistische hausse-mentaliteit latende voor wat zij is, kan men echter wel opmerken dat de beurs toch over een grotere weerstand blijkt te beschikken dan men op grond van de onderliggende economische verschijnselen zou mogen verwachten. In de in ons vorige overzicht geanalyseerde moeilijke rentesituatie in de V.S. is nog steeds geen wijziging opgetreden en de optimisten hebben nu maar hun hoop gezet op de verwachting — of liever gezegd — de vurige wens dat in het nieuwe jaar in deze benarde geldsituatie van de Amerikaanse overheid een stabilisatie zal mogen optreden.

De verslagperiode begon met de flauwste dag van de maand waarop tegelijkertijd met de korte staking van enkele groepen zettters in Nederland

voor de beurs in Amsterdam laagte-koersen werden geregistreerd. Dit baisse-klimaat duurde echter maar kort en sindsdien heeft de Amsterdamse beurs onder leiding van haar New Yorkse zuster haar herstelkracht weer kunnen hervinden, ook al ging dit herstel niet rechtlijnig in zijn werk. Zo konden bijvoorbeeld van de internationale fondsen Philips van 612 tot 643 oplopen, Unilever van 615 tot 650, Aku van 347 tot 380. Alleen Kon. Petroleum wist zich maar ternauwernood te herstellen en blijft daarbij opnieuw achterop sukkelen.

Opmerkelijk nieuws kwam deze week voort uit de sector van de Delimaatschappij. De eerste grote verhandeling van de door medewerking van de Delimij verbouwde Italiaanse tabak bleek een groot succes te zijn. Verder viel het extra dividend van Deli's Amerikaanse zuster Am. Sumatra Tobacco van 25 dollarcent op en de door deze vennootschap nagenoeg verdubbelde netto-winst over het pas afgesloten boekjaar. De koers van de Deli liep in de verslagperiode op van f. 165 tot f. 170. Senembah trok 7 punten aan op grond van de in de jaarvergadering geuite wens met de Deli tot een nauwe vorm van samenwerking te komen en de bewering dat het aandeel in feite heel wat meer waard zou zijn dan de beurs er thans voor geven wil.

De scheepvaart bracht deze week weinig nieuws op, hoewel de indruk wordt gewekt dat de gebruikelijke najaarsopleving op de vrachtenmarkt ook ditmaal niet geheel ongemerkt voorbij zal gaan. Veel hangt er echter van af in hoeverre de reders hun opgelegde schepen nog weer in de vaart zullen brengen of definitief de weg naar de sloper zullen laten opgaan. De slopersbedrijven maken in elk geval goede tijden door, want de Amerikaanse staalstaking en Duitslands

smokkelacties met de K.S.G.-tarieven hebben de schrootprijzen sterk doen oplopen. Frank Rijdsdijk, die door de septemberbaisse van 315 tot 285 was teruggelopen hervond zijn stijgingskracht tot bijna 300 terug. De nog veel incuranter Holland Scheepswerf en Machinehandel handhaafde zich op de driemaal paristand.

De lokale markt kon zich eveneens goed herstellen. De voortdurende droogte bracht het aandeel Koudijs bijna op 300%, ongeveer 100 punten meer dan Zwaardemaker, die toch ook goed moet „boeren” en waarop in deze kolommen reeds meer dan eens de aandacht werd gevestigd. Een krachtige koersrunner was Kemo, die opliep van 466 tot 484 en Smits Transformatoren die van 258 tot 280 steeg. Van laatstgenoemde kan nu spoedig een verslag tegemoet worden gezien. Dit laatste is ook het geval met Rijnstaal, die van het sterk verbeterde klimaat in de buizenindustrie profiteert. Wij zijn benieuwd of over het door een stockdividend verhoogde kapitaal opnieuw 10% zal worden uitgekeerd. Die koers van 260 drukt nog wel enige voorzichtigheid uit. Voor het soortgelijke bedrijf Excelsior ontwikkelde zich in de verslagperiode een goede vraag die het fonds een 10-tal punten deed oplopen. Het verslag van deze onderneming kan eveneens op korte termijn tegemoet worden gezien hoewel er wel geen dividend uit zal komen.

Van de staatsfondsenmarkt kwam ten slotte nog het nieuws dat de poging de 4½% rente tot 4¼% te forceren is mislukt, waarbij de steden Amsterdam en Rotterdam dus wat te voorbarig bleken te zijn geweest. Door de hoge rente in de V.S. zal men in ons land voorlopig wel van een daling van de rentevoet moeten afzien. J. Th. W.



### „Aanmerkelijk belang”-aandelen en successierecht

De vraag of „winst” wordt gemaakt belast in de inkomstenbelasting bij verkoop van aandelen in een familie-N.V. (als deze een „aanmerkelijk belang” vormen) is afhankelijk van het verschil tussen verkoopprijs en verkrijgingsprijs.

Het is evenwel mogelijk, dat andere factoren invloed hebben op deze winstbepaling.

De vraag is behandeld of betaald successierecht op zulke aandelen voor de erfgenaam de verkrijgingsprijs verhoogt.

De verkrijgingsprijs is de waarde ten tijde van de successie, dus ten tijde van het overlijden. Verhoogt men deze fictieve prijs met het successierecht, dan wordt uiteraard de „winst” bij verkoop kleiner.

De belastingplichtige verloor het geding blijkens een arrest van de Hoge Raad van 29 april 1959.

De Hoge Raad overwoog:

dat aan de artikelen 19 en 21 van het Besluit op de Inkomstenbelasting 1941 de gedachte ten grondslag ligt, dat de aandeelhouder met een aanmerkelijk belang, die zijn aandelen vervreemdt tegen een hogere prijs dan die, waarvoor hij deze had verworven, zijn aandeel in de winst van de vennootschap, voorzover deze geacht kan worden te zijn verworven gedurende de tijd, waarin de vervreemder het aanmerkelijk belang bezat, realiseert en aldus een door de besluitgever als bedrijfswinst gequalificeerde opbrengst geniet;

dat de wetgever, deze opbrengst in artikel 21, tweede lid, stellende op het verschil tussen de overdrachtprijs en de kosten van verkrijging, geen regeling heeft gegeven voor het geval, waarin de verkrijger de aandelen om niet ontving en aan de verkrijging dus geen kosten waren verbonden; althans geen kosten, welke voor de waarde van het aandeel ten tijde van de verkrijging de aanwijzing geven, welke de wetgever zich daarvan blijkbaar heeft voorgesteld;

dat de hierboven omschreven aan de regeling van de artikelen 19 en 21 ten grondslag liggende gedachte in zulk een geval meebrengt, dat de „kosten van verkrijging” worden gesteld op de geschatte waarde van de aandelen tijdens de verkrijging;

dat het met een dusdanige wijze van bepalen van de kosten van verkrijging van de aandelen niet strookt die kosten ingeval van verkrijging als erfgenaam te verhogen met het door de erfgenaam ter zake van de verkrijging betaalde successierecht.

De overwegingen zijn niet bijzonder duidelijk. Wie een aandeel verkrijgt door vererving en voor het verwerven van die waarde een belasting (successierecht) moet betalen, mag die kosten niet van de winst aftrekken, terwijl b.v. verkoopskosten wel in aanmerking worden genomen.

#### Schenking van dividendbewijzen en schenkingsrecht.

Artikel 33, lid 1, punt 9, van de Successiewet 1956 stelt vrij van schenkingsrecht de schenkingen, waarover inkomstenbelasting wordt geheven.

Wanneer een werkgever b.v. na veeljarige dienstvervulling aan een werknemer een flinke schenking doet wordt dubbel belasting door deze bepaling voorkomen. Zulk een schenking is belast in de inkomstenbelasting als opbrengst en is nu krachtens het aangehaalde artikel uit de successiewet vrij van schenkingsrecht.

Iemand kwam op de slimme gedachte een aantal dividendbewijzen, waar nog geen dividend op gedeclareerd was, weg te schenken. Hij redeneerde: later wordt over het dividend inkomstenbelasting geheven dus ..... geen schenkingsrecht; zie artikel 33, lid 1, punt 9!

De belastingdienst ging niet met die redenering akkoord. Ook het Gerechtshof stelde de betreffende in het ongelijk, zodat hij niet veel plezier van zijn slimmigheidje heeft gehad. Het Hof overwoog:

dat de wetgever bij het opnemen van de vrijstelling de bedoeling heeft gehad dubbele belastingheffing te voorkomen en daarbij in het bijzonder schenkingen door een werkgever aan een werknemer op het oog had;

dat daaruit valt af te leiden dat de vrijstellingsbepaling slechts toepasselijk is, indien over het object van de schenking als zodanig inkomstenbelasting of een voorheffing wordt geheven;

dat in het onderhavige geval aan belanghebbende door de overdracht van de dividendbewijzen, waarop nog geen dividend was gedeclareerd, met de eigendom van deze toonderpapieren werd overgedragen het daarin belichaamde recht jegens de naamloze vennootschap op uitkering van het te declareren en op de dividendbewijzen betaalbaar te stellen dividend;

dat belanghebbende derhalve verkreeg een recht van vruchtgenot, als bedoeld in artikel 29 van het Besluit op de Inkomstenbelasting 1941, hetwelk niet zelf het object is van de heffing van inkomstenbelasting, doch waarvan als opbrengst het uit te keren dividend aan de heffing van inkomstenbelasting is onderworpen;

dat derhalve in casu geen sprake is van een verkrijging van die belasting over inkomstenbelasting of een voorheffing van die belasting wordt geheven.

Deze redenering, die wel zeer spits is gevonden werd door de Hoge Raad bevestigd. D. T. v. H.



#### SENEBAH STREEFT NAAR SAMENWERKING MET DELI MIJ.

Een woordvoerder van de Nederlandse groep die het Noorse belang in de Senembah (f. 3 mln van het uitstaande kapitaal) heeft overgenomen, heeft tijdens de jaarvergadering van de Senembah medegedeeld dat men streeft naar een hechte samenwerking met de Deli Maatschappij op basis van gelijkzeggendheid. Aan een fusie moet daarbij niet worden gedacht. Van de Deli Maatschappij is dienaangaande reeds een bevredigend schrijven ontvangen.

Zoals bekend is de Senembah reeds in het bezit van f. 181.000 nom. aandelen Deli Mij.

In geen geval, vervolgde de woordvoerder van de groep, zal tot liquidatie worden overgegaan. Een exact beeld van het in de toekomst te voeren beleid kon men echter nog niet geven.

Bij de benoeming van de drie nieuwe commissarissen, vertegenwoordigers van de groep die het Noorse belang heeft overgenomen, verklaarde een der aandeelhouders

zich tegen benoeming bij acclamatie.

Bij schriftelijke stemming werden de heren G. E. van der Werff Sr. en Jr. ten slotte met 12.832 van de 12.864 uitgebrachte stemmen benoemd. De heer mr. W. G. H. Chavannes kreeg 12.830 stemmen.

#### ALLERLEI ORDERS HANGENDE DOCH NOG GEEN OPDRACHTEN VOOR DE FOKKER FRIENDSHIP

De Koninklijke Nederlandse Vliegtuigfabriek Fokker heeft in het lopende jaar nog geen nieuwe orders op de F 27 Friendship kunnen boeken. Er zijn allerlei orders hangende, zo zei het bestuur tijdens de jaarvergadering op 29 september in Amsterdam, doch contracten zijn er nog niet gesloten. Op het ogenblik wordt onderhandeld met Nieuwzeelandse en Indische luchtvaartmaatschappijen. Het zal echter nog enige tijd vergen voor er definitieve resultaten van dit overleg verwacht mogen worden.

Overigens is men bij Fokker kennelijk erg voorzichtig geworden met mededelin-

gen over opdrachten. In het vorige jaarverslag was vermeld dat er opdrachten voor 57 stuks binnen waren, doch uit het verslag 1958 bleek dat op een bestelling van 6 stuks geen contract gevolgd was, daar de betreffende (Spaanse) maatschappij door deviezenmoeilijkheden geen gevolg kon geven aan haar voornemen de F 27 in gebruik te gaan nemen. Een andere reden om voorzichtig te zijn met mededelingen over mogelijke opdrachten voor de Friendship bestaat daarin dat er sprake is van een zeer grote (vooral Engelse) concurrentie.

Op het ogenblik worden er 3 Friendships per maand geproduceerd. Begin 1960 zal het fabricage-tempo echter worden teruggebracht tot 1½ à 2 per maand. Bij handhaving van dit tempo is men voor heel 1960 van werk voorzien. Men is dan ook door de opdrachten heen. Uiteraard indien er geen nieuwe orders komen. Tot nu toe zijn er 20 toestellen afgeleverd. De directie van Fokker meent dat de Friendship nog jaren zal kunnen voldoen aan de eisen die aan een modern toestel gesteld worden. Zeker daar er geregeld verbeteringen en modernisering aangebracht worden.

Op het ogenblik worden er in de Benelux en West-Duitsland twee prototypen voor dit nieuwe toestel ontwikkeld. Hier wordt aan medegewerkt. Hoe lang het zal duren voor de machine in productie zal komen valt moeilijk te zeggen, aldus het bestuur. Zeker is dat het nog geruime tijd zal duren. Daarbij werd als schatting een

tijdsverloop van 4 tot 5 jaar genoemd. Overigens levert de ontwikkeling van prototypen voor Fokker een waardevolle bijdrage tot het bedrijfsresultaat. „Al was het maar om het bedrijf bezet te kunnen houden.”

Het bestuur van Fokker heeft redelijke hoop dat de nieuwe straaljager die te zijner tijd door de N.A.T.O. in gebruik genomen zal worden, een aanzienlijke hoeveelheid werk voor Fokker met zich mee zal brengen.

Het bestuur achtte het te vroeg om nadere mededelingen te doen over de — blijkens het jaarverslag — voorgenomen nevenfabricages. „Wij wachten daarmee liever tot wij zelf concreter weten, wat wij willen”, werd gezegd.

De mogelijkheden die geen te grote investeringen vergen worden op het ogenblik onderzocht. Zeker is dan dat men het alleen in de civiele sector zal zoeken. Over het al dan niet doorgaan met de

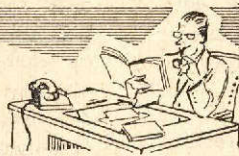
productie van Caravans (Dordrecht) is ook nog geen beslissing genomen. Zoals bekend worden reeds enige tijd radarantennes gefabriceerd, terwijl de plaatvervormingsmachines voor derden worden gebruikt.

Door een der aandeelhouders werd nog gevraagd naar uitvoeriger gegevens over de resultaten van Avio Diepen. Het verslag vermeldde dat 'n redelijke winst werd behaald. Redelijk noemde de directie in dit verband 5 tot 10% van de omzet. Het in Avio Diepen geïnvesteerde kapitaal komt toevalligerwijs vrijwel overeen met de omzet. Hieraan werd nog toegevoegd dat bij de overname van dit concurrerende bedrijf andere zaken dan louter het te verwachten rendement een rol gespeeld hebben. Genoemd werd prijsconcurrentie.

Tot commissaris werd bij acclamatie herkozen drs. H. P. Jongmsa van het Ministerie van Economische Zaken.

P. M. B.

## Het belangrijkste uit de jaarverslagen



### N.V. Houthandel v/h William Pont.

De financiële resultaten waren over 1958 belangrijk lager dan in het voorgaande jaar, hetgeen voornamelijk kon worden toegeschreven aan de gevoelige prijsdaling van vurenhout, die zich in het voorjaar van 1958 voor de Noord-Europese exporterende landen voltrok en zich in het najaar nog eens in gelijke mate herhaalde. Afgezien van de buitenlandse prijsontwikkeling, heeft bovendien naar hoeveelheid de import hier te lande voor 1958 de nawerking ondervonden van de bestedingsbeperking, terwijl als laatste daarnaast de te hoog opgelopen handelsvoorraad per ult. 1957 lange tijd gedurende 1958 het binnenlandse prijspeil nadelig heeft beïnvloed. Niettemin ontvingen de houders van de gewone aandelen 12% (onv.) dividend, die van de preferente aandelen 6.78%, terwijl de houders van de winstbewijzen f. 117,— toucheerden. Gezien de lagere resultaten was de „pay out” echter zeer hoog, doch dit lijkt ons, de mate, waarin in voorgaande jaren winst werd ingehouden, wel gerechtvaardigd. De bankschuld van Pont is door de lagere voorraden, zowel bij de moeder- als de dochterondernemingen scherp gedaald, terwijl ook de liquiditeit iets beter is geworden. Over het geheel genomen maakt de balanspositie dan ook een goede indruk. Voor 1959 worden de te verwachten resultaten wat gunstiger beoordeeld, aangezien de afzet en consumptie op de houtmarkt momenteel op een hoger niveau liggen dan in 1958, terwijl voorts de concurrentiepositie van het hout ten opzichte van houtvervangende produkten door de belangrijk lagere prijzen gunstiger is geworden. De houtprijzen vertonen thans weer een stijgende tendens.

### Grand Hotel Krasnapolsky N.V.

De omzet is in 1958 bij Krasnapolsky iets hoger geweest dan in 1957, niettegenstaande een teruggang in de verhuur van zaken, welke echter gecompenseerd werd door een verhoogde bezetting van het hotel en een frequenter bezoek aan witte zaal en wintertuin dan in het voorgaande boekjaar.

Het exploitatiesaldo heeft na de daling met 6½% in 1957 thans een stijging ondergaan met ruim 8.4%. Het dividend luidde overanderd 17½% overeenkomende met 58% van de aan aandeelhouders toekomende winst. In de balanspositie zijn verschillende verschuivingen opgetreden als gevolg van de nieuwbouw. De begroting voor deze hoteluitbreiding belooft in totaal f. 2.6 miljoen, voor de financiering waarvan gedeeltelijk is gebruik gemaakt van de 5¼% converteerbare obligatielening ad f. 750.000,—, terwijl voor het alsdan nog resterende bedrag een beroep zal worden gedaan op de liquide middelen (per ult. 1958: f. 2.5 miljoen). Volgens het bouwprogramma zal de nieuwbouw in april 1960 opgeleverd worden. Ook in 1959 is de gang van zaken gunstig. De bezettingsgraad is circa 80 à 85%, terwijl de vennootschap bij een percentage van 50% reeds rendabel is, zodat van een ruime marge mag worden gesproken.

### N.V. Houthandel v/h G. Alberts Lzn & Co.

De vennootschap heeft als gevolg van dalende prijzen en scherpe concurrentie in 1958 haar bedrijfssaldo van f. 185.545 tot f. 48.484 zien dalen, waardoor na afschrijving van f. 150.000, een verlies is ontstaan van f. 73.094, zodat geen dividend kon worden uitgekeerd, hetgeen ook over 1957 niet is geschied als gevolg van een afschrijving van f. 160.000. Vooral de teruggelopen omzetten in naaldhout als direct gevolg van de bestedingsbeperking in de bouwnijverheid hebben de resultaten in 1958 in ongunstige zin beïnvloed, terwijl in de hardhoutafdeling de afzet door de verminderde vraag bij de scheepswerven sterk terugliep. De officiële opening van het naar het industrieterrein verplaatste bedrijf vond op 18 juni 1958 plaats. De gehele opzet blijft aan de gestelde verwachtingen voldoen, al waren de bedrijfsresultaten tengevolge van de hiervoren gekenschetste omstandigheden onbevredigend. De balanspositie maakt een zwakke indruk. De liquiditeitspositie is weliswaar door de lagere voorraadpost enigszins ver-

beterd, doch de bankschuld is toch altijd nog f. 2.177.000 (2.398.000). Ruim de helft van de voorraden werd per ult. 1958 dus nog met kortlopende middelen gefinancierd. Het restant hiervan, alsmede de deelnemingen en vaste activa zijn uit eigen vermogen en langlopende middelen gedekt. Over de gang van zaken in het thans lopende boekjaar wordt medegedeeld, dat de omzet in bouwhout in de eerste maanden een beduidende stijging vertoonde in vergelijking met de eerste maanden van 1958. Conclusie: Een zeer speculatief aandeel, waarvan de kansen niet te hoog dienen te worden aangeslagen.

### Nederlands-Indonesische Suiker Unie N.V.

Uit het verslag van het N.I.S.U.-concern (Nederlands-Indonesische Suiker Unie en dochters Gempolkrep, Bogokidoel en Sentanen-Lor inclusief deelnemingen Sluis, Gispen en van Nelle) blijkt, dat van de bedrijven in Indonesië niets bekend is, er uiteraard geen baten uit verkregen zijn, doch daarentegen wel aan kosten f. 168.511 benodigd waren. Deze kosten (afvloeiing personeel) zijn vrijwel geheel ten laste van de reserves gebracht. De inkomsten uit deelnemingen en andere baten waren overigens van dien aard, dat weer eens een hoger dividend kon worden gedeclareerd, namelijk 7% tegen vorig jaar 6½%. Het liquide surplus van de maatschappij buiten Indonesië kan op f. 1.58 miljoen worden gesteld. Telt men hierbij nog de deelnemingen op basis van de boekwaarde, alsmede het belang bij Van Nelle op de huidige beurskoers, dan is een vermogen aanwezig van ruim f. 6.46 miljoen, overeenkomende met 188% van het geplaatste aandelenkapitaal. De kosten bedroegen in 1958 f. 97.000, welk bedrag aan de hoge kant mag worden geacht, temeer daar het N.I.S.U.-concern in feite slechts een holdingmaatschappij is, waarvan de exploitatie weinig moeite en arbeid kost. Bovendien beschikt het bestuur, naast de deelnemingen ad f. 5 miljoen, nog over verschillende miljoenen aan contanten om ons onverklaarbare redenen. Ook het streven van het bestuur naar een verdere terugbetaling op het kapitaal verloopt in een uiterst langzaam tempo. Resumerende krijgt men dan ook sterk de indruk, dat het bestuur haar goed betaalde positie zo lang mogelijk tracht te handhaven, hetgeen wij in strijd achten met de belangen van de aandeelhouders.

### Machinefabriek Reineveld N.V.

In de metaalindustrie heeft Reineveld in 1958 een relatief gunstige plaats ingenomen, want het bedrijf was gedurende het afgelopen jaar redelijk bezet, zodat ontslag of het werken in „short time” nodig is geweest. In de laatste maanden van 1958 nam de orderportefeuille zodanig in omvang toe, dat het aantrekken van meer werkkrachten noodzakelijk werd, doch door gebrek aan voldoende geschoolde vakmensen in de omgeving van het bedrijf kon aan de vraag slechts gedeeltelijk worden voldaan. Het bruto-bedrijfsresultaat na belastingen over 1958 week niet veel af van dat over het voorgaande jaar, namelijk f. 833.000 tegen f. 840.000 over 1957. Hieruit werden onveranderde dividenden uitgekeerd, te weten 6% op de prior. en pref. aandelen, 8% op de gewone aandelen en f. 16 per restantbewijs. De balanspositie is gezond en heeft de laatste jaren een verdere versterking ondergaan, waaruit mag worden afgeleid, dat Reineveld een voorzichtig beleid voert. De export speelt een belangrijke rol bij deze industrie. In 1958

werd meer dan de helft geëxporteerd, waarvan één derde werd geleverd naar de tot de Euromarkt behorende landen, terwijl twee derde ging naar landen als de Ver. Staten, Engeland en Mexico. Ook het thans lopende boekjaar laat zich weer gunstig aanzien. De orderportefeuille is van dien aard, dat een relatief hoge bezetting van het bedrijf zeker tot het eind van het jaar zal voortduren. Het aantrekken van een voldoende aantal geschoolde krachten blijft de directie evenwel ook in 1959 nog zorgen baren.

#### N.V. Chocolade- en cacaoabriek Kwatta.

De resultaten van de vennootschap over 1958 waren zeer teleurstellend voornamelijk als gevolg van de sterk gestegen grondstoffenprijzen. De afzet van Kwatta wat de eigen produkten betreft vertoonde in hoeveelheid evenwel een stijging van 5% en in geld van 10% t.o.v. 1957. Bovendien konden de kosten door een in 1958 doorgevoerde drastische reorganisatie met 8% worden gedrukt. De onderlinge concurrentie was echter zeer fel, zodat er in vele gevallen zelfs beneden de kostprijs werd verkocht. Evenzeer tot het minder gunstige bedrijfsresultaat heeft de Franse dochteronderneming bijgedragen, die tegen de verwachtingen in, toch een niet onbeduidend verlies heeft geleden. Ondanks deze tegenwerkende factoren blijft de Raad van Bestuur haar strijd tegen de kosten onverminderd voortzetten; iedere mogelijkheid om handenarbeid door machinearbeid te vervangen zal zij benutten en zij blijft er naar streven om de machines een optimale bezetting te geven. Alleen dan is het mogelijk om aan de felle binnenlandse concurrentie weerstand te bieden en afzet op grote schaal in de zich ontsluitende Euromarkt te vinden. Dat men hieromtrent enig vertrouwen koestert mocht blijken uit het feit, dat hoewel uit de winst over 1958 geen uitkering kon worden gedaan, toch een dividend van 5% werd betaalbaar gesteld, waarvoor echter de dividendreserve moest worden aangesproken.

#### Tricotagefabrieken v/h Frans Beeren & Zonen N.V.

Het boekjaar 1958 is voor Beeren een slechte periode geweest, zodat opnieuw het dividend moest worden gepasseerd. Er werd

(Advertentie)

**Een beleggingsadvies**

uitgebracht door  
De Twentsche Bank biedt U een  
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**DE TWENTSCHE BANK**

*Uw financiële raadsman*

weliswaar een winst geboekt van f. 151.000 tegen in 1957 f. 71.000, doch de directie achtte het noodzakelijk nog f. 100.000 extra af te schrijven op de voorraden en het restant toe te voegen aan de algemene reserve. Aanleiding tot dit teleurstellende resultaat vormden voornamelijk de dalende garenprijzen als gevolg van de vraag- en aanbodverhoudingen op de wereldmarkt. Uiteraard moest hierdoor belangrijk op de voorraden worden afgeschreven, tengevolge waarvan het bedrijf zware verliezen heeft geleden. Bovendien vertoonden bij een dalende markt de verkoopprijzen van de eindprodukten de tendens om nog sterker te dalen. Hierbij kwam nog, dat ook de omzet 15% lager is geweest dan het vorige jaar. Ook leed het bedrijf verliezen tengevolge van onderbezetting. Ondanks de belangrijke afschrijvingen op de voorraden steeg deze post in het verslagjaar van f. 3.981.000 tot f. 4.856.000. Omtrent de oorzaak van deze voorraadvermeerdering werd evenwel met geen woord gerept, hetgeen wij bepaald onjuist achten, aangezien men daardoor een geflatteerd beeld kan verkrijgen, temeer daar niet kan worden beoordeeld in hoeverre het op voorraad werken de onderbezettingsverliezen nog heeft beperkt. De vermogenspositie van dit zo conjunctuurgevoelige bedrijf is verre van fraai te noemen. De schuld aan bankiers kon weliswaar een daling ondergaan, doch beloopt altijd nog een bedrag van f. 1,4 miljoen. De te verwachten uitkomsten voor 1959 worden wat gunstiger beoordeeld, omdat de omzet belangrijk is gestegen. Overigens kan niet worden ontkend, dat de huidige koers van de aandelen (ca. 120%) hierop reeds belangrijk is vooruitgelopen.

#### N.V. Industrie v/h Lohuizen & Co.

Het boekjaar heeft, althans in de eerste negen maanden een vermindering van de produktie en een daaraan inherente lagere omzet vertoond dan in 1957. De binnenlandse afnemers plaatsten vooral kleine orders, hetgeen tot een inefficiënte produktie leidde. De buitenlandse omzet nam daarentegen toe. De binnenlandse omzet daalde met 17%, de buitenlandse steeg met 20%. Als resultante daalde de totale omzet met 12%. Het gevolg van deze ontwikkeling is geweest, dat het exploitatiesaldo bijna een derde lager was dan vorig jaar. Dientengevolge moest het dividend worden verlaagd van 7% op 6%, hoewel ook deze uitkering nog niet eens verdiend werd. Immers aan het winstsaldo is een bedrag van f. 62.033 uit de belastingreserve ten goede gekomen. Dit impliceert dat het dividend van 6% voor 1% uit genoemde reserve afkomstig was. De investeringen werden in het verslagjaar aangepast aan de omstandigheden, doch beliepen desalniettemin toch nog een bedrag van bijna f. 1 miljoen tegen in 1957 f. 1.3 miljoen. De afschrijvingen, op basis van vervangingswaarde waren wederom hoger, hetgeen ons, de investeringsactiviteit van de laatste jaren in aanmerking genomen, wel gerechtvaardigd voorkomt. De balansverhoudingen maken over het geheel genomen geen ongunstige indruk. De voorraden kunnen ruimschoots met het eigen vermogen en langlopende middelen worden gefinancierd. Wat de vooruitzichten betreft kan worden opgemerkt, dat de verbetering, welke zich in de laatste drie maanden van 1958 voordeed, zich in 1959 heeft voortgezet. De omzet van het eerste kwartaal lag reeds 15% hoger dan in de overeenkomstige periode van 1958, terwijl daarnaast de ijzergieterij en de metaalgieterij evenzeer zal bijdragen de rentabiliteit in 1959 weer op een hoger peil te brengen.

## vragen van lezers

Beantwoord door J. Bottinga, D. Langelaar, W. C. Posthumus Meyjes en Mr. A. A. H. du Toy van Hees

**M. v. d. P. te N.** Overeenkomstig uw vraag inzake de Deli Atjeh delen wij u mede, dat het voor deze vennootschap, die in Indonesië is uitgerangeerd, moeilijk is elders voor hun activiteiten een lonend emplot te vinden. De vestigingen in Bangkok, Columbia en Frans Kameroen moeten nog verder tot ontwikkeling worden gebracht. Gehoopt wordt, dat er iets uit het Bangkok-kantoor komt, dat inmiddels is gereorganiseerd. De omzetten zijn gestegen, maar ook de kosten. De animo om tot buitenlandse vestigingen te komen is bij het bestuur niet zo buitengewoon groot, al sluit dit het aangaan van zaken in nieuwe gebieden niet uit als zich een gunstige gelegenheid voordoet. Op de Nederlandse markt is het zeer moeilijk nieuwe projecten op korte termijn vruchtbaar te maken door de sterke concurrentie van andere maatschappijen, die vroeger ook in het Verre Oosten werkzaam waren. Het mag dan ook een gelukkige omstandigheid worden genoemd, dat de in september 1958 overgenomen Commissiehandel v/h Schumacher zich gunstig ontwikkelt. Aan het aantal artikelen van deze dochteronderneming is inmiddels reeds een uitbreiding gegeven. Resumerende menen wij dan ook met de aandelen op de huidige koers (ca. 68%) de verdere ontwikkeling van het bedrijf wel te mogen afwachten, temeer daar hierin reeds een aantal ongunstige factoren zijn verdisconteerd.

ABONNEMENTSPRIJS (OOK VOOR BELGIE EN LUXEMBURG) f 19,— per jaar. (BUITENLAND f 21 —.) INDIEN MEN TEVENS LID IS VAN DE VERENIGING „EFFECTENBESCHERMING“ (WAARIN OPGENOMEN WERD DE VERENIGING VAN FONDSSENHOUDERS) IS MEN f 21,50 (RESP. f 23,50) VERSCHULDIGD VOOR CONTRIBUTIE EN ABONNEMENT TEZAMEN

DE ADVERTENTIEPRIJS BEDRAAGT f 0.40 PER MM BIJ EEN KOLOMBREEDTE VAN 4 CM. TARIEF VOOR ADVERTENTIES OP CONTRACTBASIS WORDT OP AANVRAAG GAARNE TOEGEZONDEN

ADMINISTRATIEADRES: ALLE CORRESPONDENTIE INZAKE ABONNEMENTEN EN ADVERTENTIES UITSLUITEND TE RICHTEN AAN N.V. KONINKLIJKE NEDERLANDSCHE BOEKDRUKKERIJ H.A.M. ROELANTS, POSTBUS 42, SCHIEDAM. TELEFOON 01800-69300 (3 LIJNEN) GIRO 5858

SECRETARIAAT VERENIGING EFFECTENBESCHERMING EN VERENIGING VAN FONDSSENHOUDERS: WILLEMSTRAAT 63, 's-GRAVENHAGE, TELEFOON 110784



## BEURS allerhande

● De bouw van de nieuwe **Beatrix-mijn** bij Vlodrop heeft tot nu toe een investering van ca. f. 30 mln. gevegd, doch het blijkt nu ineens zeer de vraag te zijn of de mijn wel in produktie zal komen. Onder die f. 30 mln. zijn dan nog niet begrepen f. 27 mln. voor de aankoop van Duitse concessievelden welke toebehoorden aan de **Gewerkschaft Sophia-Jacoba**, waarvan het gehele kapitaal in handen is van de **NEMOS**, van welke N.V. vrijwel alle aandelen in handen zijn van de **Beleggingsmaatschappij Unitas N.V.** De Sophia-Jacoba omvat nu nog een gebied van 130 km<sup>2</sup> met exploiteerbare kolenlagen die toereikend zijn voor meer dan een eeuw. Voor de S.-J. lag het Vlodrop-veld in een uithoek, dus was men wel bereid dit aan de Nederlandse Staat te verkopen. Belastingbetalers zitten slecht doch aandeelhouders Unitas kunnen via, via, in hun vuistje lachen.

● De besturen van **Blydenstein & Co.** te Enschede en **H. Willink & Co.** te Winterswijk hebben besloten tot een nauwe samenwerking. De resultaten van 1 januari 1959 af zullen voor gezamenlijke rekening zijn en in een bepaalde verhouding aan ieder der vennootschappen ten goede komen. Uiteindelijk zal het wel op een volledige fusie uitlopen.

● Op 29 september 1959 werden ter beurze geïntroduceerd cert. van 10 sh. in de **Col-Energy**, een Amerikaanse beleggingsmij. die een voortzetting is van de reeds hier geïntroduceerde **Gas Industries Fund Inc.** Deze laatste stukken kunnen worden omgewisseld in Col-Energy. De gelden worden belegd in energie-aandelen, zoals petroleum, steenkolen, aardgas, atoomenergie, elektriciteit, petrochemie enz. Zowel het aantal uitstaande aandelen als het vermogen gaven de laatste jaren een sterke groei te zien. Sinds de oprichting werd nimmer het dividend gepasseerd. Incl. de kapitaalsuitkering komt op basis van het dividend van het laatste jaar het rendement op ruim 6% uit. Een fonds dat per cert. ca. f. 550,- kost en in menige portefeuille wel een plaatsje mag hebben.

● In verband met een toenemend tekort aan staal ziet het bestuur van de **General Motors** aankomen dat een geleidelijke stopzetting van de produktie onvermijdelijk zal worden. Getracht wordt nog met de **Phoenix Steel Corp.** een noodovereenkomst voor de levering van staal te sluiten.

● Ook de **Chrysler Corp.** zit met moeilijkheden, maar die liggen meer op een ander vlak. Grote uitgaven i.v.m. de omschakeling van de montageafdelingen zullen tot gevolg hebben dat het derde kwartaal met verlies zal moeten worden afgesloten. Als de staalstaking geen roet in het eten gooit hoopt men dat de winst in het vierde kwartaal het verlies weer wat goed zal maken. (Ijdele hoop?).

● Tengevolge van de staalstaking zit de **Erie Railroad** voor de maand augustus j.l. met een verlies van \$ 1,7 mln. Besloten werd het kwartaalsdividend op de gewone aandelen te passeren. (Bedenkt u wel: na deze tijden andere tijden, d.w.z. als straks de staking is afgelopen komt er zoiets als een „inhaalvraag” met alle voordelen van dien.)

● In een tussentijds bericht deelde de directie van de **Ned. Am. Fittingfabriek** mede, dat ondanks het gestegen loonniveau en de

oplopende grondstoffenprijzen, de financiële resultaten over het eerste halfjaar goede hoop geven op een redelijk resultaat over 1959. (Een aandeel waarvan de belegger bepaald nog maar af moet blijven).

● Bij de **Berghuizer Papierfabriek** te Wapenveld heeft de bevestigende gang van zaken in het eerste kwartaal zich voortgezet in de overige maanden van dit jaar. Verwacht wordt dat dit jaar een produktie zal worden gehaald van ca. 34.000 ton tegen 30.900 ton in 1958. Het bedrijf beschikt over een ruime orderportefeuille. De resultaten van de dochterondernemingen wijken weinig af van die over het vorig jaar. De liquiditeit is gunstig. Gehoopt wordt een dividend te kunnen uitkeren dat tenminste gelijk is aan dat over 1958. (Toen werd 11% betaald).

● Aandeelhouders in de **Nederlandsche Dok en Scheepsbouw Maatschappij** zullen er rekening mede moeten houden dat de financiële resultaten over 1959 zullen achterblijven bij die, welke over 1958 werden behaald. De concurrentie op het gebied van nieuwbouw wordt steeds scherper, dus lage prijzen. Toch konden enige nieuwe opdrachten worden geboekt. Het reparatiebedrijf en de afdeling werktuigbouw waren tot en met augustus zeer goed van werk voorzien.

● Tegen onbekende, doch goede prijzen, heeft de **Deli-Maatschappij** het gehele aanbod van 2.560 pakken Italiaanse Subtropical tabak bij voorinschrijving verkocht. De kopers waren afkomstig uit vrijwel alle sigarenrokende landen in Europa. Het grootste deel werd opgenomen door de Nederlandse handel.

● Eind 1957 werd besloten tot een fusie tussen de **Leidsche Textielfabrieken Gebrs. van Wijk & Co. N.V.** en de **N.V. van Cranenburgh & Heringa's Sajetfabriek**. Thans is het dan zover dat de aandelen kunnen worden verwisseld in aandelen **Van Wijk & Heringa N.V.** welke tegelijkertijd ter beurze worden geïntroduceerd. Het bestuur verwacht dat het lopende jaar met een positief resultaat kan worden afgesloten. (Indien dat het geval is mogen wel eerst de reserves worden versterkt. Dividenduitkering kan voorhand beter nog maar achterwege blijven. 't Is dus geen beleggingsaandeel en of er groeikansen in zitten zal nog moeten worden afgewacht).

● Een van de drie firmanten van het bankiershuis **F. van Lanschot te 's-Hertogenbosch**, de heer J. C. van Lanschot, zal met ingang van 1 januari 1960 als behorende vennoot in het bankiershuis van de Heren **Vermeer & Co.** te Amsterdam worden opgenomen. Tezelfdertijd wordt dan een nauwe samenwerking tot stand gebracht, waardoor de Firma **F. van Lanschot** een financieel en economisch belang bij **Vermeer & Co.** verwerft.

● Na al het geharrewar betreffende de overname van de Oranjelijn door de **Koninklijke Paketvaart Mij.** kwam dan deze dagen het bericht dat de **K.P.M.** de helft van haar belang bij de Oranjelijn heeft verkocht aan de **Holland-Amerika Lijn**. De prijs wordt niet vermeld, maar boze tongen beweren dat de **K.P.M.** er toch een klein verliesje op heeft geleden. De **H.A.L.** had al lang plannen om op de Grote Meren te gaan varen en zou dan in concurrentie komen met de Oranjelijn. Door deze transactie is dit ondervangen. De samenwerking van de Oranjelijn met de **Fjell Line** blijft bestaan.

● Het bestuur van de **Gulf Oil Corp.** heeft behalve het gebruikelijke kwartaalsdividend van \$ 0,62½ een extra dividend van \$ 0,50

per share gedeclareerd. Bovendien zal 3% in aandelen worden uitgekeerd en wordt aandeelhouders voorgesteld over te gaan tot een split-up in de verhouding van drie nieuwe aandelen op 1 oud aandeel. Het ligt in de bedoeling na de split-up het jaardividend op \$ 1,— per share te brengen.

● Tot nu toe zijn de verkopen van de **Imperial Oil** ongeveer 10% hoger geweest dan in het vorig jaar. De eveneens gestegen kosten werden hierdoor gecompenseerd. Verwacht wordt dat de netto-winst hoger zal zijn dan die van het vorig jaar.

● Indien de staalstaking en een zachte winter de verdere resultaten niet nadelig beïnvloeden zou bij de **Shell Oil Company** de winst over 1959 wel eens een nieuw record kunnen betekenen. Men verwacht dat die ca. \$ 5 per share zal bedragen tegen \$ 3,85 over 1958 en \$ 4,46 over 1957.

● Het bestuur van de **Padang Portland Cement** stelt voor de winst over 1958 ad f. 140.926,— aan de voorziening voor bijzondere doeleinden toe te voegen. De directie bestudeert een aantal projecten binnen de doelstelling der vennootschap. Eén project is in grote lijnen reeds uitgewerkt. In de tweede helft van 1960 hoopt men hierover nadere mededelingen te kunnen doen.

● Begin volgend jaar zal de **Internationale Bedrijfsmachine Mij. N.V.** in Uithoorn beginnen met de bouw van een nieuw laboratorium voor elektrotechnische rekenmachines.

● De drie vakbonden in de textielindustrie, te weten de **Eendracht (N.V.V.)**, **St. Lambertus (K.A.B.)** en **Unitas (C.N.V.)** hebben een gezamenlijk schrijven gericht tot **Van Vlissingen & Co.'s Katoenfabrieken N.V.**, waarin om een onderhoud verzocht wordt naar aanleiding van de bekende moeilijkheden welke zich de laatste tijd bij deze N.V. hebben geopenbaard. Naar verluidt zou dit verband houden met een plan van oppositie-zijde, om de jaarlijkse gratificatie aan het personeel te doen uitkeren in personeelsaandelen van f. 100,— en deze onder te brengen in een werknemersbeleggingsfonds, hetwelk dan het personeel op de vergaderingen van de N.V. zou kunnen vertegenwoordigen.

*Effectenboer*

### Voorgestelde dividenden

Amstel Brouwerij 6% interim, als vorig jaar.  
Koninklijke Olie f. 1,50 interim, als vorig jaar.

Priok Cultuur Mij. wederom nihil.  
Padang Portland Cement wederom nihil.  
Moeara Enim, tweede interim div. van 14<sup>14</sup>/<sub>15</sub>% of f. 28,— aan aandeelh., f. 28,— aan houders van winstbew., en f. 264,— aan houders van oprichtersbew. (Alles gelijk aan v. j.).

#### Amerikaanse dividenden

Fonds	Bedrag \$	Rec. date
Consol. Natural Gas Co...	0.52½	okt. 15
Continental Motors Corp.	0.15	sep. 25
National Fuel Gas Co. ...	0.27½	sep. 30
Pacific Gas & Electric Co.	0.65	sep. 25
Quaker Oats Co. ....	0.50	sep. 24
Tidewater Oil Co. Pref. ...	0.30	sep. 25
Transamerica Corp. ....	0.20	okt. 2

*M.B.'s desk.*  
*Private Investment*  
*- Gene*

COUNCIL  
for  
PRIVATE INTERNATIONAL DEVELOPMENT

**COMMITTEE:**

Hon. H. Struve Hensel, Chairman  
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David D. Ryus, III  
Paul Smith, Jr.  
Prof. Joseph M. Sweeney

September 30, 1959

1038 Pennsylvania Building  
Washington 4, D. C.  
STerling 3-2951

Honorable Eugene R. Black  
President  
International Bank for Reconstruction & Development  
1818 H Street, Northwest  
Washington, D. C.

*Please hold*

*came in on  
Oct 30 59*

*Files  
11/5/59*

Dear Mr. Black:

I listened with great interest to the remarks made by you yesterday at the annual meeting of the World Bank and International Monetary Fund governors.

Particularly, I made note of your suggestion that a new organization, made up of private international investors, be formed in an effort to iron out differences between investors and foreign governments as a step toward expansion of private overseas investment.

The Council for Private International Development, whose chairman is H. Struve Hensel, former Assistant Secretary of Defense, has developed a program along the very lines which you recommended. We recognize that a healthier climate must exist if private investors are to expand their activities in many parts of the world.

I am taking the liberty of enclosing a copy of the "basic beliefs" of the Council, and other material pertinent to the Council's activities. I would be most grateful to have your comments on the Council's program, and I also would be pleased to discuss this problem with you in person at your convenience. My secretary may be reached at STerling 3-2951.

You may be interested in knowing that we have had several meetings on this vital subject with officials of the State and Commerce Departments, including Undersecretary C. Douglas Dillon, Deputy Assistant Secretary W. T. M. Beale, Assistant Secretary of Commerce Henry Kearns, and Acting Assistant Secretary Bradley Fisk. I would be pleased to discuss

CORNER

PRIVATE INTERNATIONAL DEVELOPMENT

Washington, D.C.

COMMUNICATIONS SECTION  
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BANK MAIL ROOM

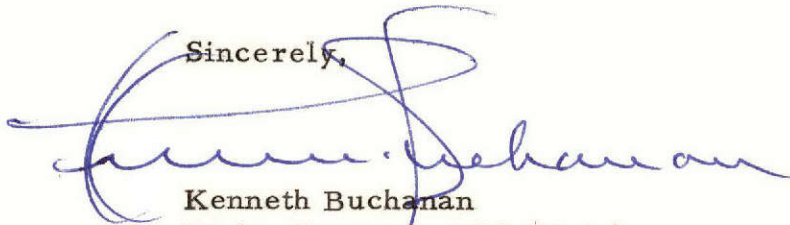
1959 OCT -1 PM 1:28

Honorable Eugene R. Black  
September 30, 1959  
Page 2

the views of these officials with you.

With every good wish, and with expectation of hearing from you  
in the near future, I am,

Sincerely,



Kenneth Buchanan  
Major General, USA (Ret.)  
Secretary  
Council for Private International  
Development

KB/hb  
Enclosures

## ROUTING SLIP

Date

June 9, 1959

NAME

ROOM NO.

~~Mr. D. Sommers~~

Mr Rist

Action

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

To Handle

## REMARKS

You may be mildly amused by document Nr.1. One more man confuses guarantee and insurance and tries to improve on Dr. Abs' plan. Carel's impressions are right but on the indulgent side - I.F.C. is a better idea anyway.

I advise against document Nr.2 which I fail (or because I fail) to understand. Besides, I don't know who the "World Federalists" are, or who Mr. Pontzen is.

I intend to answer Carel in suggesting that he should mention I.F.C. to his correspondent.

From

L.B. Rist



*Inv. - Perm. +  
Prot. of F. & P.*

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON 25, D. C.

TELEPHONE BABYLONE 17-10

CABLE ADDRESS: INTBAFRAD PARIS

PLEASE REPLY TO  
PARIS OFFICE: 67, RUE DE LILLE  
PARIS (7<sup>e</sup>) - FRANCE

June 1, 1959

Mr. Leonard B. Rist  
Director of Economic Staff  
International Bank for  
Reconstruction and Development  
Washington, D.C.

Dear Leonard:

The Parliamentary Group for World Government is anxious to get an informed opinion on the attached plan for a "Protection Bank" as an insurance-banking mechanism to facilitate investment in underdeveloped countries. Its author is Dr. Pontzen, Treasurer of the World Association of World Federalists.

Would you be willing to make some comments? To me the plan seems to be cumbersome and unrealistic. Private institutions have never been able to insure the political risks of commercial credits, unless there is Government reinsurance. In the case of investments their longer term would make it even more difficult to assess risks and to build up adequate reserve funds. The plan recognizes this and provides for Government assistance in case of need. But I doubt whether any Government would be willing to underwrite the scheme under such conditions.

I am enclosing another paper on "Counter-Economics" by the same author and on which the Parliamentary Group is also anxious to receive comments. They describe it as an attempt to provide a new analysis or idea-toy to bridge the gap in the ideological struggle between East and West on the economic front.

With best wishes,

Sincerely yours,

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AND DEVELOPMENT  
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Carel de Beaufort



INTERNATIONAL BANK FOR  
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WASHINGTON 25, D. C.

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PLEASE REPLY TO  
PARIS OFFICE: 87, RUE DE LILLE  
PARIS (75) - FRANCE

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With best wishes,

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## THE PROTECTION OF PRIVATE INVESTMENTS IN FOREIGN COUNTRIES

Théodore C. Pontzen, Paris

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- III. Arguments in Favour of the Plan..... p.6

### I. A Plan for a "Protection - Bank"

Mr. Hermann J. ABS, general manager of the "DEUTSCHE BANK AG.", Frankfurt/Main (Western Germany) is the author of a study on "Proposals for Improving the Protection of Private Foreign Investments" published by the "Institut International d'Etudes Bancaires" (Rotterdam 1958). He stresses the great importance of the mutual protection Bankers should grant each other when making investments in foreign countries: losses due to actions by governments of foreign countries to which non-commercial loans have been made available could thus be kept down at the lowest possible level.

As a matter of fact, thorough investigations into the circumstances favouring the violation of duly signed agreements in various fields of international relationship have shown the underlying legal instruments to be by no means adequate. The question therefore appears to be whether any convention aiming specifically at the protection of investments in foreign countries would, as such and by itself alone, suffice to guarantee the integrity of the funds invested thereunder.

It should be borne in mind that, quite generally speaking, contracts, treaties and agreements are effective only inasmuch as they rule an already consolidated state of things and mainly serve as a shield against the possible recurrence of isolated perturbing phenomena. Yet, because such perturbations put in motion well-known mechanisms and thus happen frequently in conformity with wide-spread patterns, the actual probability is against the very signing of agreements of that type by any government afraid of tying its own hands: there are good reasons to fear lest the accepted commitments might jeopardize other important interests at stake.

Undoubtedly, Bankers, especially powerful ones, have the desire and the actual means of protecting each other by a mutual undertaking; but it is in no way certain that an agreement of that sort between private institutions would easily and rapidly develop into an inter-governmental treaty, such as the convention worked out by the "Société pour Favoriser la Protection des Investissements à l'Etranger", Cologne.

2. Analyzing the workings of the economic and financial forces connected with the problem, one finds that as far as Commercial Credits are concerned, Export Credit Insurance as practised nowadays by all countries interested in exportation, through a specialized institution operating under the umbrella of governmental guarantees, actually grants protection from the major part of the very political risks Mr. ABS wants to be secured against. He however is concerned with non-commercial loans to which the principles of insurance cannot be made to apply, because of their size and duration as well as by reason of their relatively small number.

This explains why, although a genuine demand for such a guarantee exists since the end of the 19th century, every attempt at privately insuring "financial" credits has ended in a check-mate. It has never been possible, nor is it now, to accumulate in time such reserve-funds as private insurance institutions would need in order to face all eventualities; even the frame-work of an entire national market appears insufficient, and it would be an absolute requisite - as shown recently in the realm of nuclear risks - to form actual world-wide insurance



pools. However, due to the part played by anti-selection phenomena, an application for guarantees would be made only for financial credits of reduced soundness, and the respective lenders would hardly be willing to pay to an insurance institution any "risk-premiums" high enough to allow for the building up of the minimum technical reserves. The banks would keep for themselves the more or less fictional risk-premiums for their "safe" investments... instead of transferring them to the insurance institutions, which, unless they duly receive them, would not be in a position to bring the average premiums down to a reasonable level.

At the present moment, insurance institutions are altogether unable to underwrite non-commercial financial risks; they would not even be tempted by an invitation coming from the banks to participate in their projects of setting up any corporation transgressing the boundaries of the genuine banking sector and overlapping into the insurance-sector. This would somehow appear to be a dangerous step into a "no-man's-land" lying between the two fields; nevertheless one may well ask oneself whether some institution or technique - originating simultaneously from both the banking and the insurance sides - might not answer the challenge called by present-day political imperatives: something along the suggested line might strongly appeal to people striving for further progress.

3. Banking circles can hardly be expected to be aware of a book compiled in 1952 and published in 1955 under the title of "Non-Proportional Reinsurance" (ed. Arithbel, Brussels). It contains a contribution entitled "La Réassurance est-elle appelée à devenir une Fonction Bancaire?" in which the author of the present paper suggests that Reinsurance (a basic factor for nearly every type of insurance business, yet an unknown realm to people outside) might in the near future develop into forms which would blend banking and insurance methods into one.

The existence of a no-man's-land between the two fields was thus predicted years ago; some kind of semi-financial and semi-insurance method was recommended. It might be made to apply - mutatis mutandis - to the problem of protecting investments, e.g. along the following lines:

In each country, Banks in co-operation with insurance institutions should establish a Special Corporation (not more than one per country) intended to collect the "risk-premiums" incorporated in the rates at which foreign investments are granted. (Nowadays, banks hold them for their own account.) If any foreign investment is jeopardized by some prejudicial measure (by order or with the approval of the concerned government), the private investor would nevertheless continue to receive the agreed interests and capital refunds... from the Special Corporation, which steps in for the failing debtor's commitments and at a later date endeavours to collect the outstanding payments.

2. It may happen, of course, that the initially accumulated risk-premiums prove insufficient; to face such a situation, arising e.g. after particularly heavy payments, the Special Corporation should have the right of calling upon the founding banks for additional credits so that every private investor could be indemnified. Those additional credits would be refunded to the banks by appropriate annual payments out of the lending country's public budget and charged by the government to the failing (borrowing) countries - such charges to be held against the debtor governments whenever commercial, financial or other intergovernmental negotiations afford an opportunity therefore.

The Corporation should be enabled to operate successfully by means of a de facto monopoly in each state so as to centralize all pertinent information; a narrow co-operation should be established among the sister-corporations in all countries; and a specific statute should be granted to them by national authorities by virtue of an ad hoc legislation.

4. A Corporation of this type (to be named "protection-bank" in English, "bague de protection" in French and "Sicherungsbank" in German) is by necessity linked up with both fields of Banking and Insurance.

Indeed, the criteria of Insurance have to be applied because the risk covered is a "probable" one, yet unpredictable as to where, when nor to what extent.

losses will occur. Economic statistics will of course be helpful in determining the most appropriate evaluation of the risk (without going as far as to require actuarial calculations) so as to establish the correct "risk-premiums" to be collected in excess of the genuine rates of interest.

On the other hand, the criteria of banking will be applicable inasmuch as private investors will be served the revenue and capital-refund they are entitled to whatever happens; nor will it be the responsibility of the bankers to make up for any losses, their loans being fully guaranteed, against the turning-over of the risk-premiums to the Special Corporation, or protection-bank.

In addition to their premium-income, protection-banks would be entitled to be granted medium or long term credits, the refund of which would benefit by the guarantee of the lending countries' governments. Either the borrowing countries will eventually stand to their commitments and repay what they owe, or have to face legal claims including the principal plus interest plus additional expenses, or, in case of default, suffer the consequences of their attitude. (A similar system is being operated in a satisfactory manner in the field of commercial export-credits and the insurance bearing thereon.)

Thus one can say that basically, "protection-banks" are a means of transferring losses: the private investor is no more the one charged with the onus of possible defaults by borrowing countries, because the "protection-banks" and, if required, the national budgets will meet occurring losses. The risk-premiums are borne by the borrowing countries in the normal course of things, as heretofore.

Protection-Banks should be under the management of a board of which not only representatives of banks and insurance institutions but also government-delegates should be members, so as to obtain the highest possible equity to the best of all interests at stake. This however does in no way imply that governments should try to get hold of the management of protection-banks, as the latter are meant to safeguard the interests of private investors and not those of any government - it is in no respect a matter of administrating public funds.

5. Responsible leaders will of course ask themselves what exactly is supposed to promote the improved security of investments threatened by nationalization, devaluation, freezing and so on.

First of all, a "community of risks" comes into being and ought to make it easier to enter into "adventures" which no isolated member would dare to face. Secondly, a "community of retaliation" is formed: it would be powerful enough to provide efficient protection against defaulting debtors. In the third place, a "community of methods" is achieved, preventing debtors from playing off their creditors against each other, and apt to develop (once sufficient experience will have been gathered) into an "International Convention for the Protection of Private Property's Rights in Foreign Countries".

But the matter also shows another aspect of almost equal importance: in itself the existence of "protection-banks" is not an adequate means of preventing any borrowing country from nationalizing, devaluating or freezing foreign property; such steps are frequently taken half-heartedly and because they are considered a minor evil - they usually stem from previous aberrant ways of administration which, after a certain time has passed, cannot any longer be put straight by equitable means.

It follows therefrom that the aim at "protecting" already granted loans has to be completed by an attempt at "prevention" of losses which might arise in the future. As in the field of export-credit-insurance, it is essential to establish complementary institutions in the borrowing countries. In normal times, they would act as correspondents to the "Protection-Banks" operating in the investors' countries. They would provide all required information, advise the borrowers and collect interest and refund payments. When necessary, they would issue and spread appropriate warnings. Their main role might easily consist of giving (before it is too late) "technical advice" to the governments of the borrowing countries; such advice, when coming from a local institution, would prove more easily acceptable than if it came from foreign countries through banking and diplomatic channels.

Finally, the economy of the borrowing countries would eventually feel itself sort of "associated", with the guarantees granted to foreign investors.

6. Nr. 15 of the German periodical "Versicherungswirtschaft" (Karlsruhe, 1st of August 1958) contains an article entitled "Sicherheit - Sicherung - Versicherung" wherein the author of this paper undertook to outline the close relationship necessarily existing between 1° the stability of currency and finance, 2° the adequate protection of all economic sectors, and 3° the part Insurance plays as a shield against accidental losses weakening the framework of economy and finance.

Those considerations apply also - and even the more so - to foreign loans and credits: unless all necessary precautions are taken to the effect that each and every possible cause of loss be duly considered in advance, the danger of a failure in the field of investments is so much the greater. The utmost vigilance must therefore be exerted as to the actual covering by traditional insurance methods of all non-political risks: this should be one of the tasks specifically incumbent upon the Insurance men on the board of protection-banks.

(Incidentally, this necessity has already been stressed by the author of this paper in his university-degree thesis "Zur Frage der Kreditversicherung", Vienna 1927, non-published).

Quite recently, in the framework of a study-conference held at Pietersberg-Holland, in August 1958 under the auspices of the "World Movement of World Federalists", the very problem discussed here was made the subject of the proceedings of one of the commissions; the author of these lines had the privilege of sitting with some members of the "Economist Intelligence Unit Limited", London; here are some of the conclusions arrived at:

#### INEQUALITY BETWEEN NATIONS:

- .....1.2. Private capital has not provided....(the means for the infra-structure of under-developed countries)... owing to political risks and economic disadvantages.....
- .....1.3. To further the industrial development on top of this infra-structure, a WORLD INVESTMENT CODE combined with insurance facilities against nationalization, devaluation and other risks, could foster confidence and significantly increase private foreign investments."

It would indeed be sounder policy to achieve the best co-operation between banks and insurance institutions in view of the appropriate initiatives to be taken, rather than to wait for the United Nations to conceive, discuss, negotiate and sponsor them.

7. Taking into account all that has been said previously and reverting to Mr. Hermann ABS' aforesaid booklet, it will be found that in part IV, page 27, last paragraph, under item a), a suitable arrangement for the exchange of experience and information is required: this function is taken care of, except for the fact that it does not appear in the shape of a "special committee" but is fully incorporated in the "protection-bank". The "banks" from all countries would between themselves form the international consultative commission provided for under items b) and c), page 28; the same body, or some enlarged group of governmental representatives as mentioned in part IV would assume the further functions outlined under item d).

The conclusion of an international convention as proposed by Mr. ABS will no doubt have to be postponed until a later date; but its principles could - right from the beginning of any action to be undertaken - be accepted as a model charter to which every national protection-bank could and should conform as far as possible. It is quite conceivable that the protection-banks might arrange between themselves some mode of arbitration (in case the opinions of the banks of investing and borrowing countries differ); such a system has for a long time been in operation between Insurance and Reinsurance Companies.

It can be imagined that the network of protection-banks will be able to advise their respective governments about the steps suggested by Mr. ABS (page 32) pending the actual possibility of concluding formal conventions between nations, this kind of technical pressure should give, if not full, at least appreciable results.

As a conclusion, it may be appropriate to state that - by reason of the impossibility and improbability of the interested governments being able to establish an efficient convention in a short space of time, and also of the necessity to concede due importance to technical factors - the creation of Protection-Banks should provide an acceptable means of achieving the aims described hereabove at an early date, especially if the international cooperation between the banks works out satisfactorily.

## II. The Plan of a "Protection-Bank": Arguments against it.

A leading member of the "International Institute of Banking Studies" voiced the following objections:

### 1. Tactical Reasons

Bankers are striving to obtain political and legal guarantees from the potential borrowing countries. This means that either the respective governments or some international body undertake not to act in any way which would interfere with loans, private or public, during the period of placement and until they are fully repaid.

As long as there is some hope that, precisely in order to obtain loans which otherwise would not be made available to them, governments might eventually be ready to give the required guarantees, the existence of some less stringent scheme (for instance, a "protection-bank") might deter them from acceding to the Bankers' aims. Thus, it would not be sound policy to work simultaneously on both schemes.

### 2. Basic Reasons

A "protection-bank" would not remove the roots of the problem; it might make matters easier for all concerned parties without inducing governments of borrowing countries to promote a healthy and steady policy with regard to loans falling under their jurisdiction.

Such governments, as a matter of fact, would escape the necessity of stabilizing the economic conditions at the earliest possible moment: thus the basic security of the planned investments would remain jeopardized.

### 3. Reasons of Principle

A "protection-bank" would, according to the plan submitted, receive its "risk-premiums" from the lending countries; if the refund is correctly operated, then of course the charges would have been borne ultimately by the borrowing parties; but any default would have to be covered out of the lending countries' means.

It might easily happen that some borrowing countries fulfil their obligations correctly while others do not; in that case, the former would pay for the latter - this would not be equitable.

### 4. Technical Reasons

It is not considered possible to assess the risk premiums with any degree of accuracy nor to form a sufficient reserve during the initial operating period. If the governments of the lending countries are called upon to advance money under their guarantees to the lending Bankers at the national tax-payers' expense

it might prove extremely difficult to obtain the Treasury's consent to that type of operation.

Even if the commercial risk is excluded and only the political risk covered (i.e. currency devaluations, the passing of laws detrimental to foreign creditors, the freezing of foreign loans' service), the governments of the lending countries must always be very reluctant to assume the required obligations, not knowing where such commitments might lead them.

#### 5. Reasons of Lack of Reliability

It might be a wrong issue to rely upon the United Nations or any of their Specialized Agencies for pressure to be brought upon defaulting debtors, because the majority of these international bodies are made up in such a way that their decisions will be taken by political rather than by equity reasons.

The projects worked out by the International Institute of Banking Studies avoid the shortcomings outlined here-above, the more so as they aim at educating the governments of borrowing countries towards a status of increasing responsibility and reliance. Very rapidly, good governments would stand out among all others, and their example would have to be followed by less good ones, otherwise no loans would become available to them.

### III. Additional Arguments in Favour of the Protection-Bank.

Recent contributions to the problem (for instance in LE MONDE, Paris, of the 30th November 1958) all stress the point that whatever commitments are accepted at a given moment by a borrowing government, they might become nil and void at any later time: every sovereign government can overthrow existing legislations by means of unilateral passing of laws to the effect required under new conditions, political or otherwise.

Even if some international convention could be set up, whereby the respective privileges of sovereignty are abandoned to some supra-national authority, it cannot be expected that in the near future effective sanctions will be enacted; governments being reluctant to sign the "magna charta" suggested by the Bankers, negotiations to that end would extend over many years, and the right time for placing funds would pass; the Soviet policy of interfering wherever the Western world offers them an opportunity would be encouraged.

While there is no doubt that international agreements between lending and borrowing countries, e.g. under some World Credit Authority and with compulsory appeal to a World Arbitration Court, might lead to serious improvements, it must nevertheless be stressed here that the arguments in favour of "protecting-banks" are not, thereby, overruled.

The five types of arguments against "protection-banks" may be answered as follows:

#### 1. Tactical Reasons

As and when the Soviets show increased financial strength and willingness to invest funds abroad, the borrowing governments will be in a better, instead of a worse, position when negotiating loans with Western bankers. There is no chance at all to see the Soviets become a partner in any supra-national agreement about guarantees of loans.

#### 2. Basic Reasons

The roots of the problem cannot be found in purely economic or legal features. There are many human problems involved, either under the aspect of politics or under the angle of the average degree of education reached by nations of deficient standing. The governments of primitive countries will not be able

to abide by rules and agreements normally obeyed by advanced nations. The loans to be granted are intended to improve the underlying as well as the apparent situation.

### 3. Reasons of Principle

While it is obvious that Bankers argue along the lines of their customers' "merits" (morally and legally speaking), it is no less clear that insurance-minded economic leaders have a different approach: otherwise, neither Export Credit Insurance nor Fidelity Guarantees nor any other sort of coverage where human weaknesses may play a big part could ever be turned into economic realities and give the required service... particularly to bankers anxious to protect their depositors' legitimate interests. Insurance often intercedes where purely legal commitments fail to meet incurred liabilities and where holes may exist in the fabric of the law.

### 4. Technical Reasons

The reluctance of governments to set aside specific funds to meet losses arising out of political credit risks - a very normal reaction - has never prevented them from devoting whatever was required to the victims of catastrophes, disasters and so on. Quite recently, they have gone much farther than the guarantee for foreign loans would ever commit them: they have assumed the responsibility for all damages exceeding the available insurance facilities for the public and third party liability connected with nuclear plants, whether producing power or propelling ships, aircraft etc. (The coverage for "war risks" belongs to the same category of unlimited and unknown commitments.)

### 5. Reasons of Lack of Reliability

While it is true that at present neither the United Nations nor their Specialized Agencies are as efficient as they are meant to become in the long run nobody will be the better off by shortcircuiting them; their present lack of strength might be made to disappear gradually if they are entrusted with additional tasks. International conventions for specific purposes not linked with broader-based institutions seem to be less reliable, right now as well as in the future, than arrangements with existing institutions having already previous performances to their credit.

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Thus, the five arguments against "protection-banks" advanced by the representative of the International Institute of Banking Studies can be answered with a fair likelihood of counter-balancing them in the field of probable efficiency.

This should not prevent specialists from going to the root of the problems involved and investigating the chances of "protection-banks" as an actual means of promoting the security of foreign investments.

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## "C O U N T E R - E C O N O M I C S"

by Theodore C. Pontzen

### 1. What does the word mean?

When the main theories about Economics were first conceived, only a few people had an adequate knowledge of what it was all about; and those few reasoned in terms of abstract "economic laws", such as 'supply and demand'.

In this present world of ours, "other-than-economic" arguments are increasingly present in people's minds, over and above economic reasonings.

Let us examine the "demand"-angle first: There are three main categories of people today:

a - Under-privileged people - whether as a class in the framework of civilized nations or as an overwhelming majority in stagnant countries - have little to lose but much to gain: their immediate "needs" (food, shelter, clothing, health) will determine their predominant attitudes, and they will be generally ready to exchange any abstract achievements (such as Liberty, or Peace) against actual means of overcoming hunger, cold, sickness and other primary wants. As Lord Boyd Orr put it: if you offer such people the Four Freedoms or four sandwiches, they will choose the sandwiches.

b - People who have attained a higher economic standing. These have more to lose than to gain, it is their aim to secure a "profit", i.e. to live and work in a secure and happy world allowing for gradual unhampered increase in wealth and (general) well-being.

c - Those belonging to a third group, scattered rather irregularly nationally and internationally, are inclined to think less about their "needs" or "profit" and rather to live by their "aspirations". Ideological, religious, artistic, compassionate values mean more to them than food or wealth.

Those three types are to be found all over the world, and they form a most chaotic crowd: the other-than-economic (or, as we may now call them: counter-economic) attitudes and motives of the second and third groups interfere constantly with purely economic thinking and action.

On the "supply" side, similar observations can be made: primitive producers (poor farmers, industrial workers, clerks, craftsmen, small shopkeepers and so on) feel compelled to sell what they hold: their crop, bodily strength, skill, produce, service - at the (highest) price they can get. But whatever they earn is badly needed just to meet their primitive requirements.

Better-off people will act with greater skill, fore-thought and carefulness: they can afford to abstain from selling in a weak market and to adjust their output according to the changing price-level. Often, their very motives are opposed to those of the "needy" men and women, and so are their actions in the field of economics.

Thirdly, those who live on their aspirations will do idealistic, scientific, political and similar work without giving proper consideration to its economic impact and consequences. This group feels that this is the only life worth living, whatever less privileged individuals may think about it.

Such an approach inevitably leads to the conclusion that no action whatsoever in the economic field can be judged according to purely 'economic' standards. The incentives of persons involved actively or passively, as well as the social framework within which things occur, have also to be considered.

To be realistic it is now incumbent upon us to find out whether and how the interplay of economic and other-than-economic factors can be systematized in such a way that they fit the problems we have to deal with. (Note: serious attempts at systematizing this interplay are being made in France; results, though far from complete, are very encouraging; a synopsis of them may be found in "LE MONDE" of the 31st May, 1958).

It follows from this that it does not make sense any more to regard other-than-economic, i.e. 'counter-economic' elements, as deviations, obstacles, or weaknesses opposing normal economic developments. We are now and in the future compelled to study counter-economics most carefully and to devote to them unbiased investigation, human nature and the world being taken as they are, and not as we would like them to be.

Roughly speaking, Socialist and Communist doctrines conceive economics as basically, mainly and necessarily determined by the "needs" of under-privileged consumers; production and distribution should be organized in such a way that those needs disappear as quickly and thoroughly as possible.

Capitalist and Liberal theories put "profit" high above "needs" on the assumption that in the long run the driving-power of profit is strong enough to satisfy all types of needs.

The advance of science and automation will in the end put an increasing number of men into the third category of "aspirations", as and when complete sufficiency, even abundance, of material goods will have been achieved. This is already beginning to happen in parts of Scandinavia.

It appears worth while and very promising to dig deeper into this particular field and to work out a method by which economic and counter-economic forces can best be co-ordinated and directed towards the improvement of the well-being of mankind.

## II. Why "Counter-Economics"?

A fairly regular pattern of Counter-Economics can be drafted; taking Investments as an example, we shall find the following groups:

### A) Category of "Needs":

- 1) "Investments" are meaningless to individuals only concerned with their primary needs. They are easily led to believe that investments are a means by which Capital operates its domination over Labour. This group's understanding might include "savings" but cannot be expected to go beyond that.
- 2) Investments appear mainly as a means of providing (full) employment, to individuals interested in trade-unionism e.g. They find it very difficult, even impossible, to take a broader view.
- 3) Investments are considered by socialist leaders as an operation by which capitalists serve their egoistic aims, whereas collectivism channels appropriate funds towards their most equitable utilization in the frame-work of constructive plans. Investments should always be made use of for the strengthening of purchase-power.

### B) Category of "Profit":

- 1) Investments mean a legitimate source of regular profit to individuals who are not primarily compelled to concentrate on basic needs. Every economic activity (except simple wage-earning) implies and necessitates the transformation of capital-funds into labour plants, raw materials, services and so on, alternating with a cyclical re-transformation into capital slightly



increase. This increase (interest, benefit, profit) is considered as the predominating incentive in the realm of economics.

- 2) Investments in the eyes of business-men, manufacturers and finance people are a compulsory feature without which they would be unable to work. Nobody should be allowed to interfere with the laws and rules governing investments. Every man has the opportunity of partaking in this field and should eventually benefit in a fair share of the profits thus obtained.
- 3) Political and financial leaders consider investments as the key-problem to national and supra-national prosperity. The secure yield of the maximum investments holds the promise of lasting overall well-being.

C) Category of "Aspirations":

- 1) A man either wealthy enough to disregard needs and profit or mainly concerned with other-than-economic activities will hardly grasp what investments mean to the banker or manufacturer or the authorities responsible for economic developments. He may feel that Economics are of no genuine importance to mankind and should submit to ethical or spiritual commands.
- 2) A man holding a responsible position in a non-profit institution will consider it as an obligation for Society to invest capital-funds in ventures of non-industrial and non-commercial types. Usually, he will hardly realize what the actual implications on tax-payers, donors, stock-holders, financial subscribers and so on really are; he will imagine the whole world should be run according to the principles he believes in.
- 3) Leaders not primarily interested in Economics will understand investments as the means of shaping society according to their plans and ideals; they may even attempt to get a firm hold on investments in order to alter the social and political pattern and structure on the national and supra-national level.

The above list of nine interpretations given to the part to be played by investments in the achievement of general welfare is far from being exhaustive. It nevertheless explains why no country whatever can have a unique, clear-cut and unwavering policy in the field of investments. The respective importance of the various groups is constantly changing; men pass from one group to another; alternatively, this or that tendency predominates; similar happenings occur in every country of the world - interfering, reinforcing or compensating each other under the dictate of material as well as of irrational impacts.

Therefore, no student of Economics nor any man in a responsible position can afford to abide by exclusively "economic" laws; on the contrary, the part played by "counter-economic" intention and reactions has to be taken into account systematically and permanently. Unless this is achieved in the present-day world, there can be no understanding among the various economic layers of every country nor between countries with different predominating layers. If some kind of stabilization, rationalization, pacification and constructive organization is ever to be attained, the adequate analysis of the interplay of economic and counter-economic elements must necessarily precede and prepare such a desirable future.

### III. Seven basic answers

The intentions underlying economic actions, as classified above, determine indirectly yet powerfully the political attitudes adopted by the various groups of men. (By the way, those attitudes could have been obtained by a parallel analysis, to the same effect, by using the terms of reference "political" and "counter-political". The logic outcome would have been identical: under both reasonings a set of basic questions challenges satisfactory answers).

1 - Among the attitudes listed, is there one which could qualify as "the right one" or "the best one"? If the answer were "yes", it would infer that all other attitudes are either wrong or less recommendable. But it seems rather that no absolute or objective criteria can be advanced in favour of a positive answer; it can only be argued that as a consequence of a man's position inside the framework of his social environment, this or that attitude will be the right or best

one as far as this particular man is concerned. However, statistical computations would help to establish which might be the correct or appropriate distribution of attitudes, in a given country or area at any given moment, according to the economic situation, the level and spread of education and the dynamics of counter-economic forces at work.

2 - Is it possible to lay down rules determining the distribution as described? It seems that some general pattern can be worked out, but this could not be fully relied upon because the complete inventory of counter-economic elements can hardly be established with sufficient accuracy. Over-all guesses will be the practical limit, and even they will have to vary according to prevailing conditions. The important thing seems to be that the only technique of obtaining reliable information consists of polls and elections at regular intervals and under strictly comparable conditions.

3 - Is it right for any one group to seek domination over one or several of all other groups? Experience shows that the very genuineness of the various attitudes constitutes a legitimate motive of resisting domination, whatever the latter's origin or justification may be. Thus, the principle of Democracy follows from the natural attitudes of men (obeying needs, seeking profit, serving aspirations) and at first sight, there is even no valid reason why a numeric majority should have the right of imposing its will upon any minority.

4 - Is it right to advocate and promote changes of the pattern and distribution of the existing groups? In a certain sense, the answer to this question must be affirmative for the simple reason that every single man (and thus every group) undergoes a process of change: but it is manifest that the normal line of growth has a one-way irreversible trend - it starts by needs, passes through profit-seeking and ends by aspirations. Therefore, a speeding-up of this evolution may be considered as a legitimate project provided it respects the genuine aptitudes of men to proceed from one group to another in due time, after due preparation and due education.

5 - Is it right to resort to Force (even if the irreversible trend is respected) if and when progress seems unreasonably slow or quick? Here again, experience demonstrates the weakness of enforced positions, whether revolutionary, or unduly extending a status quo: the reason being once more that the underlying pattern of the various groups of attitudes needs a minimum time for genuine adjustments to take place but also sets a maximum limit beyond which overdue changes cannot be withheld. These two borderlines make it unadvisable to use internal political warfare as the means of promoting or opposing the natural growth of countries. This principle becomes increasingly applicable to interstate oppositions: they too must eventually appear as obeying similar rules for the achievement of such adjustments as can be considered legitimate, natural and genuine.

6 - Should the actual driving forces of evolution be deemed the best possible ones? Not necessarily; it becomes more and more difficult to argue as if no psychologically and technically sound measures could be made to operate with the aim of accelerating, improving and strengthening the progress of each and every group of attitudes of men; thus counter-economics can, and probably should, be made an increasing part of constructive politics.

7 - If neither political warfare nor purely economic competition nor mainly ideological action can by themselves guarantee a healthy and steady evolution, what then? It appears reasonable - as well in the light of past and present experience as in harmony with existing possibilities - to set up and develop a system of methodical and permanent and coordinated adjustment of the various genuine groups of attitudes, nationally and supra-nationally, economically and in the realm of counter-economics.

#### IV. Econometrics and Sociometrics.

It is a now well-known fact that in order to perform economic activities, the elements participating therein must be fit for their respective tasks: raw materials have to abide by quality standards, power is to be supplied at the appropriate tension, machinery must be made according to design, service (such as transport or financing) is ruled by tariffs, rates, time-tables etc. This fitness is measured either in terms of money or percentage or length or weight or power or output, according to standards which, in ancient times, differed from place to place but have been unified or made equivalent and normalized in the 20th century.

Only quite recently - since UNESCO made inquiries into under-developed areas and into the fitness of their inhabitants for specific activities - it has become clear that the human factor does not unconditionally fit any standard economic pattern. Sociometrics nowadays endeavour to describe adequately what each area's particular situation is; but there still is a step which seems not to have been taken as yet, i.e. the classification of man's readiness - that is: fitness plus the will to make use of it - when it is a matter of performing economic activities.

In the past, it was considered sufficient to label certain populations as "lazy", others as "active", and to offer some rather vague explanation for it: climate, tradition, natural skill etc. But now the necessity of analyzing man's incentives has become obvious, and this analysis will eventually lead to some kind of classification. Valid comparisons, statistics, forecasts and so on cannot be made unless and until classifications have been converted into standards of measure, either directly applicable or to be deduced through some indirect method.

It seems that man's incentives in the field of economics - after having been split into "needs", "profit-seeking" and "aspirations" ) may be translated into significant figures by showing their distribution over the territories they refer to.

Thus it may be established that V% of Americans (or Arabs, or Mongols, or Bushmen) are just able to do menial work, W% can perform handicraft, X% can respond to activities involving writing and computing, Y% to qualified work and Z% to high-level action. This however, does not signify that the same percentages apply to the readiness of those men to live up to their aptitudes: investigations into incentives will further show that (A x V)% accomplish menial duties just in order to be fed and clad and housed, (B x V)% to save money for the benefit of their children's higher training, (C x V)% being ready to sacrifice themselves for their masters' well-being if necessary; corresponding rates will be found for (A x W)%, (B x W)%, (C x W)%, (A x X)%, (B x X)% and so on.

Such rates of distribution might form a useful starting-point; however, inasmuch as economics are not of a static nature but obviously have their dynamics, it becomes necessary to determine the rhythm according to which men of either sex progress from category V to W, from W to X etc. It might be years, or even generations, there may even be occasional overleaping, say from X to Z, without the intermediary step via Y.

It should be borne in mind that this gradual transformation is partly spontaneous, partly made possible through education and partly intentionally accelerated by means of orientation: those factors cannot be overlooked when sociometrics are requested to determine the actual distribution of incentives toward economic activities.

It follows, from what has been fairly roughly sketched above, that the economic behaviour of a given population at a specific moment can be explained only if one is aware of the distribution of "fitness plus incentives = readiness" to perform available or intended economic activities. This statement will undoubtedly be corroborated by those who are engaged in "operational research" in the field of economics.

But why is it that specialists of operational research have not already drawn the general attention to the extended significances of their methods and findings?

) hereafter referred to under codes "A" for needs, "B" for profit-seeking, "C" for aspirations

Probably because they are in quest of something different, and less concerned with fundamental problems of human behaviour. Sooner or later, however, they will undoubtedly come forward and propose adequate theories.... but can the present world really wait patiently until that happens?

As a matter of fact, the impact of counter-economic factors upon economic developments can be expressed by means of the combined findings of Econometrics and Sociometrics. Once this has been done, it will hardly be possible any more to handle economics without simultaneously considering the "distribution of readiness", i.e. the workings of incentives among men engaged in economic activities.

Let us take the problem of the world coffee-market as an example: Three main groups of producing countries are generally quoted - South-America (especially Brazil), Indonesia and Africa. To an important fraction of the population of Brazil, the price of coffee is of vital significance, whereas elsewhere, only minor percentages of the inhabitants may be concerned because a smaller quota of the national income is at stake or a shifting of man-power toward other fields of production can be operated. This is the purely economic side. The counter-economic features consists of the professional, psychological and ideological consequences for individuals and the attitudes adopted on the national level: the readiness to make international arrangements will be greater or smaller, it may be decided that for reasons of prestige or under some religious angle a new policy about the growing and selling of coffee should be tried out, and so on. (One of the African countries has recently decided to manufacture coffee-extract on the spot; obviously, economic motives were not the only ones taken into consideration.)

The counter-economic features are even more manifest in the non-producing areas: consumers' choice may switch from Indonesian to South-American or African brands or result in some changed mixture; biological arguments advanced by medical doctors may influence the general demand; a ban for political reasons on specific importations from certain countries of origin might be proclaimed, and so on.

Unless all counter-economic and economic elements are duly analyzed, put together and taken into account, including current alterations due to changing conditions, no efficient control of the coffee-market (nor any other market) is conceivable, and the concerned populations will not be protected against dangerous fluctuations.

#### V. Politics, element number one of counter-economics

Criticisms about the influence of politics upon economics have become an everyday argument in the social strife of the 20th century. Unfortunately, commentators never go down to the root of the problem and thus fail to encourage clarification to any satisfactory degree.

First of all, it is not recognized that politics have to be considered as counter-economic element number One, inasmuch as they are a wide-spread conscious attempt at making economics obey other-than-economic rules or rulings.

Secondly, it has been erroneously assumed that economic laws form a coherent and comprehensive system which can be subjected to the impact of coherent and comprehensive political systems; experience now gives evidence of the inadequacy of that assumption, e.g. by demonstrating that private (profit-seeking), nationalized and cooperative (mutual) ventures can coexist within the framework of one and the same country (Sweden is a convincing example thereof).

Thirdly, there prevails an almost universal belief that politics can choose their angle of attack upon economics, via either Production (capitalist approach), or Distribution (cooperative approach), or Consumption (socialist approach). Present-day developments clearly show that two additional important

sections of economics deserve separate recognition: Financing (investments) and Protection (guarantees): neither complies without resistance with the commands of exclusively political (counter-economic) action, and moreover both sections properly fulfil their functions only if counter-economic impacts upon Production, Distribution and Consumption are kept within certain rather narrow limits.

Condensed into a single and simple formula, this means that men taking action in the counter-economic field of politics must from now on fully realize that they are in practice unable to bring simultaneous pressure of equal strength upon Financing, Production, Distribution, Consumption and Protection, and that they cannot select just one or two of those sections as key-positions from which economics may be ruled as a whole.

Oviously, this only applies to non-totalitarian countries: in the latter, the problem does not arise in the same manner. But as far as democracies in the Western sense are concerned, it has to be realized that neither a powerful minority nor a mere numeric majority can permanently compel the remainder of the population to act in the field of economics under an unbalanced political rule, because this is never accepted universally. Thus, at least one major part of mankind has at last nearly reached the stage where it gets automatic protection against random political pressure: economics have become sufficiently consistent to act as "counter-political" forces. Conversely, politics now get channeled, and their action as "counter-economic" forces by and by submits to economic imperatives.

Recognition of this new state of things is only dawning upon men. It has mainly come about owing to the important part played by investments; and it will become still more obvious when - as presently aimed at - protection against economic accidents and major fluctuations will have been turned into a coherent control system. Politics will find it increasingly difficult to work arbitrary changes; even the inducement to do so must diminish, and demagogues should meet with steadily decreasing success.

This does not mean, however, that counter-economics become less important: it is only their impact which, being better understood and evaluated, undergoes a process of stabilization.

The following considerations might be usefully applied to various types of political set-up:

-1- One-Party-System: At the present time, only collectivist régimes fall under that heading; but it will be remembered that Nazis and Fascists in their respective countries also had subordinated their economics to predominantly counter-economic motivations, e.g. under the slogan: "Guns rather than butter!" Individuals were taught to yield to ideological considerations in lieu of obeying their genuine needs, profit-seeking and aspirations. Several "markets" had come into existence, especially in the field of currency, and "black" trading had answered the call from genuine incentives inasmuch as the latter had been able to assert themselves.

War-time economics, even in democratic countries, may well be ranged in the same category, as the requirements of warfare had an absolute priority over peace-time genuine incentives. In countries where nowadays development schemes are implemented under compulsory plans, the counter-economic pattern may vary according to top-level decisions but nevertheless remain at variance with what would prevail when pressure ceased.

-2- Two-Party-Systems: Whereas in authentically democratic countries the alternative rule of two parties (Conservatives and Labour in Great-Britain, Christian-Democrats and Socialists in Central Europe and Italy) promotes major changes when Government passes from one side to the other, genuine incentives of individuals are actually respected, and counter-economics are mainly at work on high-level issues (e.g. nationalizations, tax-assessments, state-managed industries). Experience shows that coexistence of two divergent trends is actually possible in the frame-work of any single country (especially in Austria, but also elsewhere). There is no compelling reason why this should not be applicable when several states of different pattern cooperate.

-3- Three-Party-System: Individual genuine incentives are probably safeguarded in the best way in countries where - e.g. In Sweden - private, cooperative and national ventures are equal before the law and freely compete with each other; everybody is free to join the section which gives the answer coming closest to genuine individual incentives. Instead of suffering from permanent conflicts, such countries are soundly emulative, mainly because they prevent attempts at imposing the predominance of one counter-economic trend over the others.

-4- Multi-Party-Systems: France until recently may well be considered as the typical country where counter-economics afford an opportunity of obeying personal incentives to every citizen; this system is not conducive to the crystallization of major trends of any description but rather creates an equilibrium of its own kind. The drawbacks are that private enterprise is often hampered by state-supervision, cooperative and mutual ventures lack the strength they would need if they were to become a decisive element, and nationalized or state-run industries and administrations are subject to major fluctuations in the scope of their activities.

-5- Non-Party-Systems: They prevail in politically and economically less developed countries where a few powerful and wealthy groups rule over passively obedient uneducated and poor populations (feudal system). Except for the "lords", only the bare "needs" act as incentives; the ruling class mostly obeys the desire of accumulating wealth (seeking a profit). But quite recently, a change has come about in that type of countries, and a misuse of "aspirations" - mostly nationalism in its most primitive form - leads to the upsetting of the old framework and to the gradual introduction of more advanced patterns of incentives and activities.

Obviously, those five groups are not more than a broad classification; practically, each and every country has its characteristic position. It would be helpful if this could be taken into account when arguing about the influence of politics (as number one element of counter-economics) upon economics - instead of using overgeneralized abstractions, categories and definitions.

## VI. C o u n t e r - e c o n o m i c s a n d u n d e r - d e v e l o p m e n t

At this stage of our reasonings, it is advisable - as when we were dealing with the readiness of individuals to perform economic activities - to establish an approximate pattern of how politics and economics influence each other when applied to various levels of national development. In order to achieve this, we must bear in mind that we are looking for some combined standard whereby progressive adjustments can be measured and such measure be used as a basis of systematic action. Once more, we shall have to avoid abstractions and to avail ourselves of the appropriate patterns of distribution.

It has become customary to classify countries according to their advance in economic development. Most certainly, this approach is justified: but no satisfactory answer to any basic problem has been obtained yet.

For instance, we still lack a valid explanation of the difference in attitude of several equally under-developed countries: one of them being eager to get outside assistance and preparing for its most productive use (e.g. Ghana), a second one trying to obtain foreign funds and exerting political pressure to that end (some Arab countries) without clear intentions about the actual investments to be made, a third country refusing assistance in order to get or maintain its political independence, regardless of what would be to the best advantage of the populations concerned (e.g. Persia under Dr. Mossadegh), a fourth one discriminating as to the origin of assistance (e.g. Popular China relying on the Soviets) and so on.

Thus, economic assistance can be conditional or unconditional, on the receiving and on the giving side; with regard to the latter, we have witnessed gifts (e.g. Marshall Aid), loans (from the World Bank), "programs" (e.g. Technical Assistance under Point IV), commercial credits from one government to another (Germany to India), United-Nations action (through the planned World Development Agency and others). Additional schemes are under preparation.

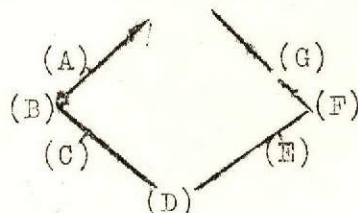
Those irregular features make it very difficult to establish a really adequate classification, the more so as in some cases economic features are prevailing over counter-economic ones, whereas in other instances counter-economic considerations will predominate.

Now there is a fair chance that appropriate electronic computers would be helpful: they could take complete stock of the facts involved when handling the specific case of some more or less developed country. The distribution of incentives, of actual means, of possible uses at any given moment could be calculated in such a way that the respective country's attitude toward other countries (offering or withholding assistance, or wishing to assist only provided certain conditions are fulfilled) receives a clear definition. Both countries, the assisting and the assisted, would know where they stand and how far they can go.

Before this can be implemented, some time will have to elapse; the data to be processed would first have to be collected and put into code. Meanwhile, we may be able to get some guidance through the main groups to be taken into consideration and their mutual relationship;

- a- Integrated Countries: that is those having a consolidated economy with features resulting from past history regarding economics and politics; they usually enjoy the benefits of (previous) self-determination and the workings of such institutions as Social Security: e.g. Sweden, Great-Britain.
- b- Developing Countries: neither political nor economic developments have reached an advanced stage, generally because the starting point lies not far back and consolidation therefore still is out of their immediate reach; but permanent characteristic features can already be clearly distinguished: e.g. Brazil.
- c- Under-Developed Countries: those where the described process is just felt to be desirable but has hardly begun - e.g. Egypt, Spain.
- d- Non-Developed Countries: the starting-point has not yet been reached, e.g. certain regions of India or Malaya.
- e- Emerging Countries: The desire to emerge has just sprung into being and manifests itself through violent efforts towards quick improvements, often to make up for past passivity: e.g. Popular China.
- f- Struggling Countries: The emergence dates back already a couple of years or decades but has not yet shaped into definite features: e.g. Yugoslavia.
- g- Upgrading Countries: although fully conscious of what they aim at and how they plan to achieve it, they have not yet reached actual integration: e.g. Soviet Russia.

Graphically, the above tentative classification might be expressed thus:



If none but economic factors were operating, there would be no need to make a distinction between (A) and (G), (B) and (F), (C) and (E). But the introduction of counter-economics (incentives, readiness, etc.) provides an explanation for the difference in approaches and techniques of progress: to give expression to this difference, distinctive terms have been used here, such as "developing" which is meant to imply "growth through parallel individual efforts", whereas "upgrading" tries to convey the sense of "compulsory promotion under state leadership".

Furthermore, whereas the "needs" of the populations may be considered as the main incentives in types (C), (D), (E), and (F), "profit-seeking" would characterize type (B) (and also be active, to a certain extent, in type (A)). In type (G) "aspirations" would be the political and "needs" the economic incentives.

Let it be said once more that every country engaged in the process of development requires to be examined on its own, and also that none except type (D) - supposed to disappear in the near future - remains unchanged over a period of years. Natural progress would lead a country from (D) either to (C), (B) and finally (A), or from (D) to (E), (F) and (G). Exceptional cases are those of Eastern Germany or Czechoslovakia, where political (counter-economic) interventions switched them from (B) to (F), with a corresponding loss of standing.

## VII. C o u n t e r - e c o n o m i c s o l u t i o n s t o e c o n o m i c d i l o m m a s

Counter-Economics will be scoffed at by those who still believe that traditional approaches to Economics can answer all the questions about mankind's material well-being "provided other-than-economic elements are strictly kept out of discussion". But it now appears more than probable that at least three major problems as yet unsolved will require an extension of the generally accepted methods.

-I- The Rate of Economic Growth: Experts seem to concur at present that for integrated countries, the rate of growth of national income and wealth should average 4,5%. Lower rates mean stagnation, higher ones inflation. However, it is felt at the same time that non-integrated countries should do their utmost in order to attain much higher levels than their present ones at the shortest possible notice: is it not obvious that this would require rates of growth of 10 or even 20% p.a.? Otherwise, the difference in status would not be overcome at all, or only after a very, very long time.

Thus, the experts' dilemma consists of advocating one economic policy for countries having successfully achieved (or nearly achieved) integration, and another one, basically opposite, for less developed areas. The contradiction cannot be overcome otherwise than by means of counter-economics as a complementary method.

The case of the Soviet Union might be considered as showing what the procedure involves. There, the fundamental "needs" of under-privileged citizens have been combined with such "aspirations" as could be understood and readily accepted by more or less primitive individuals who otherwise would have had to struggle along under the sole stress of basic material requirements. By means of ideological injections carefully calculated so as to match every economic incentive due to "needs" with the adequate dose of counter-economic "aspirations", the rates of growth have been considerably increased. Not without hardship, but obviously not without success, compulsory plans for production and consumption took care of the proper timing and the overall coordination of all sections; even partial failures, delays and set-backs were overcome without excessive effort, because the general pressure remained fully active in the whole frame-work.

The nearer such countries come to the stage of economic integration, the less counter-economics are required and the easier they are accepted; even "profit-seeking" becomes tolerable in exceptional cases, whereas in the lower stages of the upgrading process this type of incentives is prohibited - among other reasons because it is too slow.

Now, speaking no more about the specific instance of Soviet Russia, but about non-developed or partly developed countries in general, it should be recognized that unless some kind of powerful "aspirations" have been brought into the picture, no equilibrated average growth at a rate higher than 4,5% has been attained. Wherever members of the upper classes grew wealthy at great speed, the majority of the population remained as poor and hungry as before. Venezuela might be mentioned as a particular instance.

Various types of "aspirations" have been and are nowadays used for speeding up the growth of under-developed countries: besides communism, there is nationalism as a powerful incentive belonging to the category of "aspirations". Also fascist, dictatorial, racial approaches have been experimented: but the main drawback of the last mentioned attempts consists of the impossibility to achieve equal and



undisturbed pressure in all fields of action and upon all the men and women concerned. Really genuine incentives are thwarted, artificial ones over-emphasized; this leads to explosions and to the destruction, sooner or later of the whole set-up before it has reached or consolidated the stage of integration.

Thus the fundamental problem which has to be solved during the very next years works out as follows: "What type of genuine, legitimate, non-explosive, non-contradictory and simultaneous counter-economic incentives can be put into operation so as to warrant a reasonably accelerated growth of less developed countries?" - it being understood that if nothing but strictly economic techniques and procedures applied, the ceiling of progress would lie somewhere near 4,5%.

Any planning - whether compulsory or provisional or coordinated - must from now on include economic as well as counter-economic means. It will have to be considered as a fundamental requirement that legitimate aspirations have to be systematically combined with basic needs and possible reasonable profit-socking, in such a way that this policy is acceptable and accepted, on psychological and sociological grounds, by the populations concerned. Reference to the Declaration of Human Rights and to the implementation thereof might be an appropriate initial step.

-II- Automation and Purchase-Power: Experts have not as yet reached consensus about the ultimate consequences of automation in the broadest sense of the term.

What must be aimed at in the interest of consumers is a stable and guaranteed purchase-power. The Western world tries to cope with this problem by introducing annual salaries, insurance against unemployment, allotment of stocks to salaried man-power: but even taken together, these measures are felt to be incomplete even in integrated countries. On the other hand, upgrading countries are not yet really facing the problem: it lies too many years ahead and thus does not appear to concern them directly (as a matter of fact, collectivist theories predict that this dilemma will bring about the eventual breakdown of capitalist economy).

It would be wise to discuss this problem in such terms as apply to countries like Sweden or Switzerland, where integration has reached the highest level in the world. If collectivist arguments are unanswerable, Sweden and Switzerland would be the very first countries the integration of which appears jeopardized.

Natural economic evolution might conceivably induce these countries to proceed to gradual reductions of the average weekly or monthly or annual working-hours, or to increase the age-limits at the beginning and to reduce them at the end of the period where men and women are allowed to work: the aim being that a satisfactory equilibrium of available occupations and the generally required income has to be maintained. At present, however, and as long as there exist other countries in need of capital-funds, machinery, specialists and man-power, there are sufficient openings for the actual population of fully or nearly integrated nations.

Be that as it may, this does not provide a solution to the basic problems: Western experts are still groping in the dark, and Eastern doctrines can go on prophesying what is convenient to them. But the introduction of counter-economic reasonings and methods can even now provide a satisfactory answer.

Just as the rhythm of growth in the field of economics can be increased by appropriate action on incentives, the growth of automation can be offset by related means. For instance, many people who today are frightened by the consequences of wide-spread automation would more readily welcome the foreseeable technological progress if they were sure to be offered new incentives in the field of their spare time, or rather during the time they need not devote to strictly economic activities.

Obviously, incentives towards the acquisition of better knowledge in the fields of Science, Arts, Sports, Philosophy or towards more traveling or the revival of amateur handicraft would be of great help. The problem to be solved is how to achieve a better spread of individual aspirations in such a manner that

gradually the whole outlook upon life undergoes a change: that "profit-seeking" ceases to be considered as a worth-while all-day occupation ("needs" being already disposed of in integrated countries) and that "aspirations" become the healthy field of individual competition. (This may even be turned into a matter of "fashion"...)

However, as long as there are less developed countries striving for integration, integrated nations have a job to perform, if only in order to protect themselves against possible accidents. Thus, among the very aspirations forming the main incentives in integrated areas, one might attribute a prominent place to the aid to less fortunate populations, partly as a humanitarian task and partly as an attractive field where excess economic output can be put to good use, even at non-profit conditions.

A first step into that direction, that is to the proper implementation of counter-economic methods, would consist of the gradually accepted theory that any minor or temporary setback in purchase-power need not be considered as an economic heresy; later on, economics should rank behind other fields of action and not be any more the primary subject of adult men's and women's thoughts. Thus, counter-economics should be able to pave the way for wide-spread automation and contribute to the liberation of mankind from its most ancient bondage.

-III-East versus West: As shown for the general problem of the accelerated growth of non-integrated countries, the ideological or psychological pressure brought upon populations leads to transformations of incentives: their distribution among men becomes different from what it had been previously.

Technological problems being very much the same in the West and in the East, one may safely assume that the main opposition between the two "worlds" is of a counter-economic nature. Divergent incentives exert their influence in every field: financing (profit-seeking versus needs plus aspirations), production (who is to be the owner of machinery and raw-materials?), distribution (according to existing markets or to man-made plans?), consumption (proportional to, or irrespective of, purchase-power) and protection (self-protection or welfare-state). Both systems have proved workable, both having advantages and drawbacks. The impact of incentives determines the advantages which a specific population considers as the most important ones, and the drawbacks they are ready to endure in exchange. Decisions must come from each and every people; it might however become an international rule that the genuine incentives and their actual distribution among the population (not just any dominating class' command) ought primarily to inspire the interior economic organization of any nation.

Such a rule, later to be worked out in detail, might be the beginning of a rational approach to the problem of East versus West. In the meantime, however, it will remain extremely difficult - there should not be the slightest doubt about it - to induce Communist as well as Capitalist thinking to complete their purely economic basic theories by the appropriate consideration of "Counter-Economics". In the long run, this should provide the bridge on top of which the two schools of thought would be able to meet some day. As a matter of fact, counter-economics may be considered as a possible acceptable common denominator.

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It has been mentioned earlier that counter-economics need not be an essential feature of each and every field of economics in practical life, just as Time does not require to be specifically mentioned when it does not interfere with Space measurements. But in those cases where Economics alone (just like Space alone) do not meet the facts, the combined standards will have to be accepted and made use of.

It should be borne in mind that what is commonly called "planned adjustments" always include the workings of human incentives; therefore, this field cannot be satisfactorily explored unless due attention is paid to counter-economics.

The time may come yet when technological progress will have become so great and wide that it allows for the full play of men's needs, profit-seeking and aspirations to be answered without restriction. At that stage, counter-economics may well become the decisive factor whereas, metaphorically speaking, economics would fall back to the part now played by oars and sails in ocean-going navigation.

# OFFICE MEMORANDUM

TO: Files

FROM: G.C. Wishart *WW*

SUBJECT: I.C.A. -- Private Enterprise Division

DATE: June 8, 1959

Mr. Carl Flesher and Mr. Carter de Paul called on Mr. Demuth on June 1; Mr. Wishart was present. Mr. Flesher explained there had been organizational changes in ICA and that a Private Enterprise office had been formed. The objective of that office would be to stimulate private enterprise investment in the areas serviced by ICA; as part of that aim, it would encourage the formation of local development banks. Recruitment for the new office was still in process and it was intended to recruit a staff member who would specialize in the setting up of development banks.

Mr. Demuth asked which ICA department we should contact on development bank matters. He presumed that our point of contact would be the area department concerned which would refer as necessary to the Private Enterprise office. Mr. Flesher agreed but hoped that there could be a regular exchange of information between the Bank and the staff member in their office with development bank responsibilities. Mr. Demuth suggested that a series of regular meetings be arranged to include Mr. Springsteen of DLF.

Mr. Flesher explained that the first job of the new office would be to make country studies on how to move in private capital: a review of investment laws, taxation, guarantee programs, etc. If these studies revealed that a medium- to long-term lending institution was necessary for a country, his office would initiate a proposal for a development bank. He hoped that the IBRD might then take primary responsibility for working any such proposal out. Mr. Demuth pointed out that in certain countries (for example, Liberia and Afghanistan), it would appear appropriate for ICA to take the lead in setting up new investment institutions; <sup>in</sup> in other countries, we would be prepared to take the lead. We had good access to other banking institutions which might be interested in participating.

Mr. Flesher said that ICA was going to be under pressure to get industrial banks established. Mr. Demuth said in our experience it took at least a year to work out all the details; there were always the problems of management and protection of capital. Mr. Flesher hoped that established banking institutions might be prepared to take on the responsibility of providing managers for the development banks. Mr. Demuth explained the arrangement for the Development Bank of Ethiopia with the Herstelbank of Holland.

Mr. Demuth reviewed the various development banks in which we are interested and the proposals now under consideration. Mr. Flesher said that ICA is considering a proposal for a development bank in Thailand. Mr. Demuth drew attention to the present Industrial Bank of Thailand; a reorganization of that bank is in process.

CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: June 8, 1959

TO: Mr. Wm. J. Flittie  
3350 Wilshire Boulevard  
Los Angeles 5, California.

FROM: Mr. Black

FILED UNDER: Development

SUMMARY: Reply to Mr. Flittie's letter of May 21, 1959 outlining a proposal designed to stimulate industrial development abroad through enlisting the participation of American private enterprises and possibly those of other industrialized countries.

Mr. Henry S. Bloch  
Director, Fiscal and  
Financial Studies  
United Nations  
New York, New York

Dear Mr. Bloch:

On my return from Europe I found your letter of March 31, 1959, and was interested to learn that you were continuing your useful study of the flow of private capital. Much as I would like to make available to you the results of the Bank's exchange of information on medium-term international indebtedness - and I have given a great deal of thought to how I might do so - I regret that I cannot. The success of the exchange of information depends upon our safeguarding the secrecy of the information reported by the participants. Any violation of the confidence which the creditor countries have placed in us would almost certainly harm everyone concerned - the creditors, the debtors, and the Bank. As it is, I am convinced, the exchange is of great benefit to both the creditor and the debtor countries.

Mr. Segre's source of information on the amount of medium-term indebtedness reported as of December 31, 1956 must have been outside the Bank. I do not feel I should comment on the accuracy of the figure he mentions but I shall say, for your own information, that his definition of the coverage is not quite accurate.

I am sure that you will understand both my position and my regrets.

With kindest personal regards,

Yours sincerely,

Leonard B. Rist  
Director, Economic Staff

  
LGBButcher/mod  
cc: Mr. Rist (2)

v.Ref. EC 223/2(1)

April 9, 1959

Monsieur Henry S. Bloch  
Directeur du Service d'Etudes  
Fiscales & financieres  
Nations Unies  
New York, N.Y.

Monsieur,

En l'absence de M. Rist qui se trouve actuellement en Europe, je me permets d'accuser reception de la lettre que vous lui avez adressee le 31 Mars concernant les credits a moyen terme.

M. Rist sera de retour a Washington le 14 Avril et je suis certaine qu'il desirera repondre personnellement a votre demande d'information.

Esperant que ce delai ne vous genera pas trop dans la redaction de votre etude sur les mouvements des capitaux prives, je vous prie d'agreer, Monsieur, l'expression de mes sentiments distingues.

Marie Louise Cathala de St Sauveur,  
Secrtaire

April 16, 1959

*W. Sommers*

Dear Carel:

Thanks for your letter of April 14, 1959 and enclosure. The reference to the President of the Bank, of which I had heard, was supposed to be contained in the Annex referred to in Article VII. Can you find out anything about the Annex?

Yours sincerely,

Davidson Sommers

Mr. Carel de Beaufort  
Paris Office

DS/km

(Gen. Files - incom. held which  
is latest Abs proposal for a  
Convention for protection of  
private invest. abroad.)

April 8, 1959

Mr. Joel Diriam  
University of Connecticut  
Storrs, Connecticut

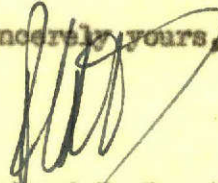
Dear Joel:

This is in reply to your letter of March 1, forwarding your proposed questionnaire. I sent your letter and the questionnaire to Mr. Hugh Ripman, who is Chief of our Industry Division, for his comments.

Ripman has today handed me the attached memorandum. Although you may not find it helpful, I confess to sharing the reservations which it expresses. Perhaps if you would give us further information about the points Ripman has raised, we could be of more help. But I should add that I think you will find most of us in the Bank pretty skeptical of the value of questionnaires for collecting accurate data about the kind of development problems with which you are seeking to deal.

To counteract the negative character of the above, I want to send Eunice's and my good wishes to you and yours.

Sincerely yours,



Richard H. Demuth  
Director

Technical Assistance and Liaison Staff

Enc.

cc: Mr. Ripman

RHD:tf



## OFFICE MEMORANDUM

TO: Files

DATE: March 31, 1959

FROM: Davidson Sommers

SUBJECT:

Mr. Ben T. Moore, Associate Director of the Twentieth Century Fund, came into see me last week following a talk between Senator Javits and Mr. Black. Senator Javits wants our help in giving form to a vague idea he has in mind for the promotion of private investment and private enterprise in underdeveloped countries. He had discussed this idea with Mr. Black who assured him of our willingness to be of assistance. Mr. Moore is helping the Senator on this project.

As far as I could make out, what the Senator has in mind is as follows:

A new affiliate of the I.B.R.D. would be formed with the function of guaranteeing loans from private investors to private enterprises in the underdeveloped countries. Private financing institutions with special interest in overseas investments would subscribe to stock in this affiliate and the subscribing institutions would have exclusive access to the affiliate's guarantee facilities.

It is not intended that the affiliate should guarantee equity investments against non-business risks, as in the I.C.A. program. Instead it is contemplated that the affiliate would guarantee payment of loans made by its subscribing shareholders, who would investigate projects in the first instance and who would sponsor them.

The intention is that there should be a certain degree of automaticity about the guarantee facilities. Accordingly the affiliate would not underwrite any loan one hundred per cent; a substantial part of each loan would be at the risk of the private lending institution. This fact, together with the proprietary interest of the subscribers, is thought to be sufficient to enable the affiliate to confine its scrutiny to one of reviewing the investigations made by the sponsor.

I told Mr. Moore we would try to collect comments on this idea and would talk to him further.

Subsequently, I asked Mr. Ralph Straus whether this proposal had been considered in the course of his study. He said he was aware of it but that it had not been the subject of any specific comment in his report, which is due to appear in a few days. He said that Javits' idea resembled a proposal that had been made by Mr. Vincent Checchi to the I.C.A. (Subsequently, I asked Mr. Checchi for a copy of his paper; he said he would be glad to let me see it, but as his paper had been written for I.C.A., I would have to get I.C.A.'s consent. I have asked Mr. Grant of I.C.A. for his permission).

cc: Messrs. Knapp, Demuth, Rist, Cope and Rosen.

*Kay*

Mr. R. Demuth

April 8, 1959

Hugh B. Ripman

Mr. Dirlam's Proposed Questionnaire

I have read this through, and must confess that I do not think it is likely to produce very useful results.

Looking back on Mr. Dirlam's first letter, I realize that I should then have raised the question what is meant by "industrial engineers" who "are concerned with problems of choosing investment alternatives for public as well as private investors". Since I am not clear what is meant by this, and hence cannot see clearly what kind of conclusions are expected to emerge from an analysis of answers to a questionnaire like this, and to whom such conclusions would be useful, I have no satisfactory basis for a critical review of the questionnaire.

What appears to be clear to me is that many of the people concerned in underdeveloped countries would probably misunderstand or not understand a number of the questions. Knowing from experience how the minds of such people operate, I should expect that lack of understanding would not prevent them from giving some kind of answer to the questions; and you can guess what their answers would be worth.

A second factor is that such people would quite commonly have an exaggerated idea of the importance of the part they played in determining policy, and this would certainly act as a factor tending to give wrong impressions of the facts.

In connection with these two reservations on the reliability of answers to be expected, I doubt whether a trial run with a member of the Israeli organization in New York would be very valuable.

But perhaps it would be sensible, before making any comment to Mr. Dirlam, to drop him a line in order, if possible, to get clear for ourselves:

- a) what he intends to do with the answers to the questionnaires. What kind of analysis is proposed, and what kind of conclusions are expected to emerge from the study?
- b) for whom are such conclusions likely to be useful, and in what way?

I am also inclined to think that it would be useful to get Mike Hoffman's view on the whole thing (when you have Dirlam's reply indicating the object of the proposed exercise).

HBR/bm

Private  
Memorandum

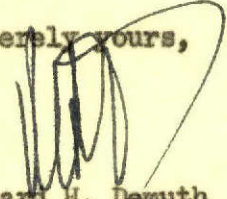
April 6, 1959

Mr. Ralph I. Straus  
331 Madison Avenue  
New York 17, New York

Dear Ralph:

I had an opportunity, over the weekend, to read your report on private investment. This note is just to congratulate you and your associates on a fine job. You have every right to be highly satisfied with what I am sure were not easy labors.

I hope I will get the chance to see you soon again.  
With kind regards,

Sincerely yours,  


Richard H. Demuth  
Director  
Technical Assistance and Liaison Staff

RHD:mo

<b>ROUTING SLIP</b>		Date
NAME		ROOM NO.
<i>Mr. Brubaker</i>		
	Action	Note and File
	Appropriate Disposition	Note and Return
	Approval	Prepare Reply
	Comment	Per Our Conversation
	Full Report	Recommendation
	Information	Signature
	Initial	To Handle
<p>REMARKS</p> <p style="font-size: 1.2em; text-align: center;"><i>What do we do ?</i></p> <p style="font-size: 1.2em; text-align: center;"><i>please contact me.</i></p>		
<p>From <i>Swanson</i></p>		

INCOMING MAIL  
ROUTING SLIP

Date

APR 6 1959

Mr. Black	1024	Personnel Div.	207
Mr. Broches	1113	Mr. Poore	801
Mr. Cargill	614	Mr. Reamy	A318
Mr. Clark	1113	Research Files	822
Mr. Cope	813	Mr. Riley	700C
Mr. Demuth	506	Mr. Rist	716
Mr. Doucet	1017	Mr. Rosen	614
E.D.I.		Mr. Rucinski	600
Mr. Goor	705	Mr. Schmidt	513
Mr. Howell	801	Mr. Sommers	1003
Mr. Iliff	1003	Technical Op.	309
Mr. Knapp	1024	Translation	804
Mr. Lejeune	813	Mr. Hauenstein	101
Mr. Mendels	1017	Mr. Worthington	A316
Mr. Nurick	1121		
Office of Info.	228		
Office Services	111		
Mr. Perry	513		

Remarks:

From: Communications Unit - Room P-106 (Ext. 3630)

UNITED NATIONS



NATIONS UNIES

NEW YORK

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FILE NO.:

EC 223/2(1)

le 31 mars 1959

Mon cher ami,

Nous sommes en train de rédiger l'étude sur le courant des capitaux privés dont M. Martin vous a entretenu lors de sa visite à Washington en octobre dernier, étude qui continue celles menées par M. Chudson et qui est censée traiter de la question dans son ensemble et de son évolution au cours des dernières années.

Nous voudrions dire un mot sur le volume global des crédits à moyen terme. L'étude de M. Segré (Medium Term Export Finance - European Problems and Experiences) indique que les chiffres recueillis trimestriellement et confidentiellement par la Banque internationale font apparaître un total de 3,3 millions de dollars environ à la fin de 1956.

Nous serait-il possible d'obtenir les données correspondantes pour les années 1957 et 1958? A défaut de renseignements détaillés ou d'une série complète, nous aimerions faire état dans notre document au Conseil de chiffres aussi récents que possible.

Veuillez agréer, cher ami, l'expression de mes meilleurs sentiments.

A handwritten signature in blue ink, appearing to read "H. S. Bloch".

Henry S. Bloch

Directeur du Service d'Etudes fiscales  
et financières

M. Leonard B. Rist  
Directeur des Recherches  
Banque international pour la Reconstruction  
et le Développement  
1818 'H' Street, N.W.  
Washington 25, D.C.

1820 1959-03-31

RECEIVED

1959 APR 6

1959 APR 6

22

Dear Sir,

I have received your letter of the 2nd inst. regarding the matter of the 1958-59 season. The information provided is being reviewed and a response will be sent to you as soon as possible.

The information provided in your letter is being reviewed and a response will be sent to you as soon as possible. The information provided in your letter is being reviewed and a response will be sent to you as soon as possible.

The information provided in your letter is being reviewed and a response will be sent to you as soon as possible. The information provided in your letter is being reviewed and a response will be sent to you as soon as possible.

Very truly yours,  
Director of the Bureau of Agricultural Economics

RECEIVED  
BANK MAIL ROOM  
1959 APR -6 AM 11:41

DEPARTMENTAL ROUTING SLIP			Date	
OFFICE OF INFORMATION				
Bennett	225		Slusarski	216
Bridges	228		Symonds	222
Camacho	218		Young	216
Dinneen	218		Addressograph	107
Eliason	228	✓	Bank General Files	<del>210</del>
Graves	216		Documents-Pollock	1008
Hudson	222		Fund-Fisher	F1210
LaFond	225		IFC-Holmes	920
Lightowler	225		Library	F326
Maher	218		New York Pouch	212
Matthews	218		Paris Pouch	212
McKitterick	224		Procurement-Curtin	112
Meszaros	228		Prt'g. & Drft'g.	102
Orra	215		Research Files	822
Pendleton	224		Translation-Balasy	804
Perras	225			
Pettit	216			
Rowe	228			
Remarks				
<p><i>Sorry we know nothing re this. Check Desault's file not pp</i></p>				
From				



March 31, 1959

*U.S. Print Sent  
abroad.*

Dear Mr. Moore:

I have talked with some of my associates here and we would be glad, at your convenience, to discuss further the idea which you and Senator Javits have been exploring.

The immediate future is not very good for us. I am leaving in a couple of days for a week's visit to Germany, and two of the other people who would be concerned are also away on short trips. However, we should have more talent available beginning about the middle of April and could meet with you about that time or thereafter if you like.

If you would like to do any talking in the meantime, I suggest you get in touch with Dick Demuth, whom I have told about our conversation.

Yours sincerely,

(Signed) Davidson Sommers

Davidson Sommers  
Vice President

Mr. Ben T. Moore  
Associate Director  
The Twentieth Century Fund  
41 East 70th Street  
New York 21, N.Y.



# Record Removal Notice

<b>File Title</b> Operational - Investments - Promotion and Protection of Private and Foreign Investment - Correspondence - Volume 4		<b>Barcode No.</b>  30357187		
<b>Document Date</b> February 12, 1959	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To: Davidson Sommers From: Philippe de Seynes, Under Secretary for Economic and Social Affairs, United Nations				
<b>Subject / Title</b> [Programme for international insurance of private foreign investment]				
<b>Exception(s)</b> Attorney-Client Privilege				
<b>Additional Comments</b>		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td><b>Withdrawn by</b> Kim Brenner-Delp</td><td><b>Date</b> August 16, 2023</td></tr></table>	<b>Withdrawn by</b> Kim Brenner-Delp	<b>Date</b> August 16, 2023
<b>Withdrawn by</b> Kim Brenner-Delp	<b>Date</b> August 16, 2023			

# FILE COPY

Mr. D. Avramovic

February 10, 1959.

Badri Rao *BR*

Private Foreign Investment

Kindly refer to your note accompanying the transcript of "Hearings before the Sub-committee on Foreign Trade Policy of the Committee of Ways and Means of the U.S. House of Representatives" submitted herewith.

A summary perusal of this volume suggests that much of the testimony submitted at the Congressional hearing on private foreign investment runs pretty much along the lines of the discussions which I sat in on and on which I have submitted several memoranda, particularly one dated December 12, 1958. In sum what is proposed here is a thorough going study of United States tax policies with a view to eliminating double taxation income earned abroad and transferred to the United States, in order that foreign private capital may have more of an incentive to seek useful investment abroad.

I suggest that the statement of Mr. Kearns, Assistant Secretary of Commerce for International Affairs, at pages 12-25 and that of Mr. Smith, Deputy to the Secretary of the Treasury, at pages 44-54 may be more than glanced through; the former has some interesting data on the volume and direction of United States private foreign investment, during 1950-57 and the latter contains a useful summary of tax deterrents to the outflow of United States private capital.

Pages 102 through 179 contain reprints of two brochures published some time ago by the Committee for Economic Development; the charts on pages 156-7, 165 and 167 are quite interesting.

Perhaps as a sequel to these hearings a bill to amend the internal revenue code of 1954 (HR.5 of 1959) was introduced in the U.S. House of Representatives on January 7, 1959. The object of this bill is "to eliminate the necessity for American firms to utilize these foreign corporation vehicles (tax haven devices) and to promote an expansion of foreign investment by American firms" through the creation of a special category of U.S. corporations known as Foreign Business Corporations.

Section 2 of the Bill permits Foreign Business Corporations to defer the payment of United States taxes on their income earned from sources outside the United States until that income is distributed. Thus, income earned in one foreign country may be reinvested in a new enterprise, in the same or another foreign country, without reduction by United States taxes. Similarly, income derived from licensing of patents and rendering of technical services may be accumulated and used to finance further foreign investments. It is just this tax treatment which has led so many American corporations to form foreign subsidiaries to operate their international business. The income accumulated by a Foreign Business Corporation which is not distributed is described as reinvested foreign business income. When a distribution is made out of reinvested foreign business income, United States tax becomes payable. Against the tax imposed, credit is allowed for taxes paid to foreign countries, just as the foreign tax credit is now allowed to prevent double taxation.

Private Investment  
x Fedi Bar Assoc  
Journal  
x Gubin, EK

February 3, 1959.

Mr. E. K. Gubin  
1025 Connecticut Avenue, N.W.  
Washington 6, D.C.

Dear Mr. Gubin:

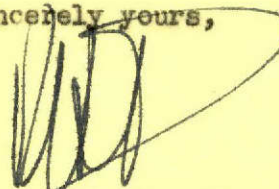
In reply to your memorandum of January 28 concerning the proposed FBA Journal Issue on Private Foreign Investment, the Latin American gentleman that I mentioned to you in New York as a possible author of the article on the new Latin American Development Bank was Jorge Montealegre. Mr. Montealegre is an Alternate Executive Director of this Bank and is, I believe, also Financial Counsellor at the Nicaraguan Embassy. He can be reached either at the Bank or at the Nicaraguan Embassy.

Another suggestion is the new Mexican Ambassador, Antonio Carillo Flores, who is an outstanding Latin American representative and whose name has sometimes been mentioned as a possible head of the new Latin American Bank.

I trust these suggestions are useful. The outline for the issue looks very interesting and I congratulate you on the group of authors you have succeeded in lining up.

It was good to run into you the other day. With kind regards,

Sincerely yours,



Richard H. Demuth  
Director

Technical Assistance and Liaison Staff



# Record Removal Notice

<b>File Title</b> Operational - Investments - Promotion and Protection of Private and Foreign Investment - Correspondence - Volume 4		<b>Barcode No.</b>  30357187		
<b>Document Date</b> February 3, 1959	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To: Philippe de Seynes, Under Secretary for Economic and Social Affairs, United Nations From: Davidson Sommers, Vice President				
<b>Subject / Title</b> [Comments on C.V. Narasimhan memorandum on a program for an international insurance of private foreign investment]				
<b>Exception(s)</b> Attorney-Client Privilege				
<b>Additional Comments</b>		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td><b>Withdrawn by</b> Kim Brenner-Delp</td><td><b>Date</b> August 16, 2023</td></tr></table>	<b>Withdrawn by</b> Kim Brenner-Delp	<b>Date</b> August 16, 2023
<b>Withdrawn by</b> Kim Brenner-Delp	<b>Date</b> August 16, 2023			

INCOMING MAIL ROUTING SLIP			Date JAN 29 1959	
Mr. Black	1024		Personnel Div.	207
Mr. Broches	1113		Mr. Poore	801
Mr. Cargill	614		Mr. Reamy	A318
Mr. Clark	1113		Research Files	822
Mr. Cope	813		Mr. Riley	700C
Mr. Demuth	506		Mr. Rist	716
Mr. Doucet	1009		Mr. Rosen	614
E.D.I.			Mr. Rucinski	600
Mr. Goor	705		Mr. Schmidt	513
Mr. Howell	801		Mr. Sommers	1003
Mr. Iliff	1003		Technical Op.	309
Mr. Knapp	1024		Translation	804
Mr. Lejeune	813		Travel & Trans.	101
Mr. Mendels	1009		Mr. Worthington	A316
Mr. Nurick	1121			
Office of Info.	221			
Office Services	111			
Mr. Perry	513			

Remarks:

From: Communications Unit - Room 213 (Ext. 3009)

LAW OFFICES OF  
**E. K. GUBIN**  
SUITE 205  
1025 CONN. AVE., N.W.  
WASHINGTON 6. D. C.

TO: Richard H. Demuth, World Bank, 1818 H St., N. W. , Washington Jan. 28, 1959

SUBJECT: Proposed FBA Journal Issue on Private Foreign Investment

Last week while we both were riding in a cab in N. Y. I showed you the enclosed proposed list of authors and titles for a forthcoming issue of the FBA Journal and advised you we were not satisfied with the author we had in mind for item #9. You stated you would have the name of someone at the Bank who might be available.

Without committing us to use the individual, I would appreciate having your secretary type his name and address on the enclosed post-card which is self-addressed and which should make it easy to pass on the information to me.

Incidentally I do not claim credit for the excellent outline which is enclosed. Metzger is the person who is responsible for most of it, and I only added a few items myself. If you have time I would appreciate your jotting down a few remarks or comments concerning the outline, because we are extremely anxious to have it a real informative issue written by experts.

E. K. Gubin

ekg:npd  
enc.

ack. Feb. 3.

U.S. DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION  
WASHINGTON, D. C. 20535

JAN 29 9 42 AM 1959

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THIS SIDE OF CARD IS FOR ADDRESS



E. K. Gubin  
1025 Conn. Ave., N. W. #205  
Washington 6, D. C.

*Pinconnettes*  
*Massachusetts Embassy*  
*George Montecchi*  
*Richard Gaultt Flores*

**TENTATIVE SUBJECT & AUTHOR LIST  
FOR PROJECTED ISSUE OF THE  
FEDERAL BAR JOURNAL CONCERNING PRIVATE  
FOREIGN INVESTMENT**

1. Introduction by C. Douglas Dillon, Deputy Under Secretary of State for Economic Affairs. 5 pages
2. IBRD, IFC, and Private Investment: By Lester Nurick, Assistant General Counsel, IBRD and IFC. 10 pages
3. The Development Loan Fund and Private Investment: By Ralph Goldby, Acting General Counsel, DLF 10 pages
4. The EX-IM Bank and Private Investment: By Walter Sauer, formerly General Counsel and now Executive Vice President, EX-IM Bank. 10 pages
5. The Anti-Trust Laws and Private Investment: By Wilbur L. Fugate, Special Assistant to the Attorney General, Dept. of Justice. 10 pages
6. U.S. Tax Laws and Treaties affecting Private Investment: By ~~Nathan Gordon, International Tax Staff, Treasury Dept.~~  
*Oliver Oldman, Harvard* 10 pages
7. Investment Guarantees and Private Investment: By Arnold Rivkin, formerly Associate General Counsel of ICA, and presently Director of the African Studies Branch of the Massachusetts Institute of Technology. 10 pages
8. U.S. Commercial Treaties and Private Investment: By Stanley D. Metzger, Assistant Legal Adviser for Economic Affairs, Dept. of State. 10-15 pages
9. Proposed New Latin American Development Fund: <sup>Bank (Author to be announced later)</sup> By ~~Dr. Jose R. Chiriboga V. H. E., The Ambassador of Ecuador.~~ 10 pages
10. A. Businessman's Lawyer Looks at Private Investment: By Robert M. Campbell, General Attorney (Int. Div.) The Ford Motor Company 10 pages

E. K. Gubin, (Chairman, Steering Com. for Issue)  
1025 Connecticut Ave., N. W.  
Washington 6, D. C.  
RE-7-2431

Stanley D. Metzger, (Com. Sec'y.)  
Dept. of State  
Washington 25, D. C.  
RE-7-5600, X5906 or X4714



INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON 25, D. C.

TELEPHONE BABYLONE 17-10

CABLE ADDRESS: INTBAFRAD PARIS

PLEASE REPLY TO  
PARIS OFFICE: 67, RUE DE LILLE  
PARIS (7<sup>e</sup>) - FRANCE

December 3, 1958

Mr. Leonard B. Rist  
Director, Economic Staff  
International Bank for  
Reconstruction and Development  
Washington, D.C.

Dear Leonard:

On November 17 Dave Sommers met in London with the Commission on a World Investment Code of the British Parliamentary Group for World Government. A list of the members of this Commission and its terms of reference is enclosed.

Mr. Patrick Armstrong, one of the secretaries of this Commission, called me saying that Dave had referred one of the questions which came up at the meeting to me. The question was related to the last part of the Commission's terms of reference reading "and for this purpose to consider the availability of capital in different parts of the world and the disparity between developed and underdeveloped countries".

Mr. Armstrong said that the Commission would very much like to get from the Bank a memorandum on the availability of capital in the world, including if possible assistance which could be put at the disposal of the underdeveloped countries by the Soviet Block. They had already tried to obtain this information from The Economist, but it was doubtful whether they would receive from them anything on the availability of capital. The Commission felt that it was necessary to know that there would be sufficient capital available to warrant the effort required to have an Investment Code adopted.

Mr. Rist

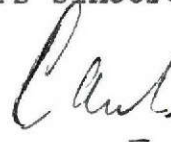
- 2 -

I replied that it would indeed be very difficult to estimate future availability of capital. But perhaps one could start from the figures of past flows and then make certain projections based upon them. Mr. Armstrong replied that any assistance we might be able to render in this respect would be extremely welcome. If at all possible they would like to receive something by the end of this year.

It struck me that the chapter "External Finance and Economic Development" which Badri wrote for his first draft of "International Movements of Public Long-Term Capital and Grants 1946-1955" if slightly amended, would fill the bill very nicely. If you agree with this view, Badri could probably prepare it quickly. As to the Soviet Block assistance, he might add the table Leslie prepares from time to time for the E.D.'s.

With my best wishes.

Yours sincerely,



Carel de Beaufort

Encl.

DEC 2 3 54 PM 1952

CORRESPONDENCE  
GENERAL LIFE

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I replied that it would indeed be very difficult to estimate future availability of capital. But perhaps one could start from the figures of past flows and then make certain projections based upon them. Mr. Armstrong replied that any assistance we might be able to render in this respect would be extremely welcome. It is all possible they would like to receive something by the end of this year.

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With my best wishes.

Yours sincerely,



Carol de Beaufort

Encl.

DEC 5 9 29 AM 1958

GENERAL FILES  
CORRESPONDENCE

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COMMISSION ON A WORLD INVESTMENT CODE

1. Members of the Commission and Advisors

Rt. Hon. A. Creech Jones	Chairman
Mr. E.L. Mallalieu	) Rapporteurs
Mr. David Price	
Rt. Hon. J. Dugdale	
Sir H. d'Avigdor-Goldsmid	
Mr. James Johnson	
Mr. Martin Maddan	
Mr. John Tilney	
Mr. Austen Albu	
Mr. J. Grimond	
Mr. R. Hornby	
Federal Union	) Honorary Advisors
Sir Jeremy Raisman	
Mr. C.A.G. Savidge	
Mr. J.L.S. Steele	
Rt. Hon. Harold Wilson	
Lord McNair	
Professor S.H. Frankel	
Professor N. Kaldor	
Mr. Patrick Armstrong	) Joint Secretaries
Mr. John Pinder	

2. Terms of Reference

To attempt to formulate a World Investment Code in order to develop greater international confidence conducive to investment on the basis that both investors and investees, whether they represent government finance or private enterprise will benefit from their rights and obligations being mutually agreed and assured, and to examine the conditions under which such a code could be legally enforceable, and for this purpose to consider the availability of capital in different parts of the world and the disparity between developed and underdeveloped countries.

- - - - -

R.M.

UNITED NATIONS  NATIONS UNIES  
NEW YORK

CABLE ADDRESS · UNATIONS NEWYORK · ADRESSE TELEGRAPHIQUE

FILE NO.:

EC 223/1 (2)

3 November 1958

*UN + Social  
Council*

Dear Davidson,

Thank you so much for sending with your letter of 22 October a copy of the paper on United States guaranty programmes. For one who has long grown accustomed to reading the faint print of some of our own papers that cross my desk, I find the text of your own note extremely legible!

.....

As I promised during our recent conversations, I enclose for your perusal a copy of a memorandum prepared earlier this year by C.V. Narasimhan, containing his suggestions on the international insurance of foreign investment. I should be grateful if you would let me know what your reactions are to these suggestions and whether in your view it is worthwhile thinking further about the matter.

With kind regards,

Yours sincerely,

*Philippe de Seynes*

Philippe de Seynes  
Under-Secretary for  
Economic and Social Affairs

NOV 27 1958

*Ad 11.3*

Mr. Davidson Sommers,  
Vice-President,  
International Bank for Reconstruction  
and Development,  
WASHINGTON 25, D.C.

UNITED NATIONS



NEW YORK

5223/1(2)

3 November 1958

Dear Sir,

Thank you so much for sending with your letter of 22 October

a copy of the paper on United States security programs, for  
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As I promised during our recent conversations, I enclose  
for your personal copy of a memorandum prepared earlier this year  
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would let me know what your reactions are to these suggestions  
and whether in your view it is worthwhile thinking further  
about the matter.

With kind regards,

Yours sincerely,

*Philippe de Beynes*

Philippe de Beynes  
Under-Secretary for  
Economic and Social Affairs

NOV 5 1 48 PM 1958

GENERAL FILES  
CORRESPONDENCE

RECEIVED

Mr. Davidson Commins,  
Vice-President,  
International Bank for Reconstruction  
and Development,  
WASHINGTON 25, D.C.



DRAFTInternational Insurance of Private Foreign Investment

From time to time various proposals are made to stimulate the flow of private foreign investment to the under-developed countries. Not all these suggestions take into account the fact that the advanced and developing countries are also seeking capital, and that the under-developed countries have to compete against the advanced countries themselves in this regard, and thus operate at a disadvantage. The fact has to be faced that stimulating the flow of private foreign investment to under-developed countries is not easy, merely because of the restricted opportunities for profitable investment in countries with limited infrastructure. In addition, many national development plans provide for some expansion of the public and quasi-public sector, so that the fields open for the private sector, domestic and foreign, are correspondingly limited. Further, in many under-developed countries, taxation of personal income, corporate profits, etc., is steeply progressive, and this factor also operates as a disincentive.

But even in respect of prima facie profitable openings for investment, a major factor affecting the final decision of the intending investor in an under-developed country is the uncertainty surrounding his investment. His great fear is the fear of total loss of his capital. Allied to this is the fear that he might not be able to remit his profits or repatriate his capital after a time. It is worth examining the possible measures which may be taken to overcome these fears.

At present insurance is available against certain normal commercial risks such as those attendant on shipment of capital goods, etc. But the entrepreneur also needs insurance over a period of several years against the risks of expropriation and inconvertibility or inability to repatriate his earnings or investment. The United States has been operating for some years an investment guarantee programme which provides cover against the risk of currency inconvertibility, expropriation or confiscation, and also loss by reason of war.

Under the U.S. investment guarantee programme, 37 countries have signed agreements with the U.S. providing guarantees against the risk of inconvertibility, while 33 governments have signed agreements offering guarantees against the risk of expropriation. Seven governments have offered guarantees against war risks also. The total amount covered by the guarantee programme at the beginning of this year was well over \$150 million, and there were some \$631 million worth of applications pending at the time.

The American programme can, therefore, be deemed to have helped to some extent in meeting the entrepreneur's fears in respect of expropriation and inconvertibility. But the programme suffers from two handicaps: (a) it is open only to U.S. investors, and (b) it is a bilateral programme.

The writer believes that there is need for a somewhat similar programme for intending entrepreneurs from countries other than the U.S. In fact many of these other countries have been traditional exporters of capital to the ECAFE region to a much larger extent than the U.S. At present there is no such programme.

There are, of course, programmes of export credit from some of these traditionally capital exporting countries. But these export credit programmes do not quite meet the need for clear guarantees against the risk of expropriation. Further, when the debt due to the export credit organization has been liquidated by the investor over a period of years his investment still remains in the under-developed country, and there is no protection against its expropriation.

It was observed earlier that the American programme suffers from being a bilateral programme. This statement needs to be clarified, and to some extent substantiated.

The declared objective of the U.S. programme is to further the purposes of the Mutual Security legislation. Not all under-developed countries will sympathize with this objective.

It was observed that while 37 countries had signed agreements covering the investor against the risk of inconvertibility, four out of the 37 had not offered guarantees against expropriation. The four countries are: Colombia, India, Peru and the United Kingdom.

The writer was concerned at one time with the negotiations in regard to the Indian guarantee, and the two main reasons why guarantees could not be offered by India against the risk of expropriation were as follows: (a) there was some fear that any such guarantee offered by the executive would affect the sovereignty of Parliament under the Constitution, and (b) the arbitration clauses were also considered unacceptable, and even unworkable.

Certainly the reason could not be that India had any intentions of expropriating foreign investment and was, therefore, chary of offering such guarantees. The same would be true, and even more obviously so, in respect of the U.K. which, apparently for similar reasons, has not been able to offer guarantee against expropriation.

It is felt that both these needs could be met satisfactorily under an international programme of insurance which would also be free from the shortcomings of the American programme. If such a programme is undertaken by the IBRD, for example, the programme would not differ from the guarantee which a member government offers of repayment by a borrower from the International Bank where such a borrower is not himself the government.

As the writer envisages it, the operation of the insurance programme would not be unduly complicated. On the assumption that the IBRD were willing to undertake this work, it would apply only to those member governments of the IBRD as signified their acceptance of the programme and entered into an agreement for that purpose with the IBRD. The IBRD would charge an insurance fee or premium, calculated in the usual way. If it so wished, it could re-insure those risks with outside under-writers. The insurance could be in a wide variety of currencies as in the case of IBRD loans. The insurance fee being small (about 1 per cent per annum) would be treated as a normal cost of operation, and would not appear too onerous a charge to the investor.

Within the participating countries, the insurance would, of course, apply only in respect of approved investments. Thus, the investor would be expected to take all necessary steps up to the point of getting his investment certified as approved by the government of the country where the investment is to take place. He could then apply on the basis of the certificate, for cover from the IERD.

The experience of the IERD shows that, in many cases where the IERD is willing to give loans for meeting less than the entire foreign exchange costs of approved projects, banks and other financing institutions in the U.S. are willing to participate without further examination of the merits of the projects. Such was the writer's experience in regard to the loans given by the IERD to the Tata Iron and Steel Co., as also to Air-India International. In the case of the Investment Insurance programme, the IERD will be able to issue cover for "approved" investments on the basis of its agreement with the "approving" government. And the fact that the IERD offers the cover would be a source of confidence to the intending investor.

Coming to details, it may be provided that the investment must be new investment, but would cover re-investment of accrued profits. The investment may be in the form of equity, debentures, or even royalty agreements. The investment may be in cash, materials, or equipment, patents, processes of techniques or services of management or engineering contractors. The duration of guarantee may, as in the case of the American programme, be for a maximum term of 20 years, which will enable the investor fully to amortize his capital. Special arrangements will be necessary in regard to the insurance of re-invested profits. But, here again, the procedure would not be very different from the procedure for obtaining a certificate from the government of the country in which the investment takes place.

The suggestions outlined above have certain obvious disadvantages. Taking the guarantee against convertibility first, the programme may in some cases not offer any protection in respect of sudden variations in the rate of exchange, or where the official exchange rate is not closely related to an actual (or theoretical) free market rate. Again, where a government is forced to suspend foreign exchange payments on account of acute balance of payments difficulties, the insurer may have to lend sufficient foreign exchange to the Government concerned if the guarantee is invoked. This means that the insurer may have to satisfy himself, not only about the soundness of the project to be covered by insurance but also of the soundness of the economic policies of the participating government and its ability to meet its long term foreign exchange commitments.

Again, where nationalization is resorted to in respect of a whole industry, and where the legislation prescribes certain levels of compensation, the participating government will probably be in no position either to exclude the parties covered by the Investment Insurance programme from the scope of nationalization, or to offer compensation at higher levels. In such cases, the insurer may be put in a position where he has to pay the insured the full compensation insurance and then negotiate with the government in respect of the quantum of compensation. Provision will have to be made for arbitration in case the negotiations do not prove successful.

Notwithstanding the above-mentioned shortcomings, the writer believes that the proposal has over-riding advantages. Among these is the psychological advantage, and the feeling of "confidence" that such a programme will give to intending investors. If acted upon, it will help to create the favourable "climate" for private foreign investment which all its advocates would like to see.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Files

DATE: October 31, 1958

FROM: Hector Prud'homme

SUBJECT: U.S. Government Inquiry into Improving  
Conditions for Private Investment.

Mr. Hugh Farley of ICA called me a few days ago to say that in accordance with an amendment to the Mutual Security Act known as the Javitts Amendment, Mr. Dillon of State had asked Mr. Ralph Strauss to head a committee of three, consisting of Strauss, Farley (who is with ICA) and Hamlin Robinson (of the State Department's Bureau of Economic Affairs) to study and make a report in December on problems of mobilising American private enterprise in U.S. foreign programs.

There is some kind of an advisory group working with the committee among whose members are Lincoln Gordon at Harvard, Leroy Stinebower at Standard Oil of New Jersey and Kingman Brewster. There is a contract with the Stanford Research Institute to collect and collate literature in the field.

The committee is limiting itself to the field of private business. To include private foundations, religious groups etc. would make the field too large to handle in the time allotted.

I met today with Messrs. Strauss, Farley and Robinson. There was little I could tell them about particular American companies contemplating operations in Iran. Like most people (Senator Monroney et al) contemplating the problems of under-developed countries, Mr. Strauss heavily emphasized the shortage of development capital. I said my piece about organization of the management being quite as essential. We talked for an hour in very general terms.

cc: Mr. Rucinski

August 11, 1958.

Dear Mr. Hensel,

Thank you for your letter of June 23, 1958  
which arrived while I was away from Washington.

I am very much interested in the subject of protection of private foreign investments and we in the Bank have been following with sympathetic interest the various studies and plans which are being formulated in this field. However, I am afraid that because of my position in the Bank it would not be appropriate for me to join any private organization of the kind you have in mind and I must therefore decline your invitation with thanks.

Yours sincerely,

(Signed) Eugene R. Black

Eugene R. Black

Mr. H. Struve Hensel  
1700 K Street, N.W.  
Washington 6, D.C.

July 28, 1958  
DS/km

JUN 25 REC'D

H. STRUVE HENSEL

1700 K STREET, N. W.

WASHINGTON 6, D. C.

June 23, 1958

CORRESPONDENT FOR  
SIMPSON THACHER & BARTLETT  
120 BROADWAY  
NEW YORK 5, N. Y.

Mr. Eugene Black, Chairman  
International Bank for Reconstruction  
and Development  
1818 "H" Street, Northwest  
Washington, D. C.

*Mr. Strauss -  
What is your  
opinion of the  
EBS*

Dear Mr. Black:

The United States faces a dilemma.

The Soviet economic offensive against the members of the Free World can be combatted only by the establishment of mutual world wide economic relationships. In this contest, the United States, with its great resources, has leadership thrust upon it. Such resources, however, can only be effective if the foreign aid burden is supplemented, and eventually taken over, by private capital investment on a mutually profitable basis.

YET, the foreign climate for American and other private capital investments in many foreign lands is far from favorable. In some cases, private investments outside the United States have already been lost through nationalization, expropriation and confiscation. In addition, there have been numerable minor instances of property freezes, refusals to repay debts, currency and other monetary restrictions, which have greatly reduced, if they have not destroyed, the hope of a satisfactory return from the capital investment.

It is not possible to induce private investment when the investor is not assured of adequate compensation and a fair opportunity to receive his profit.

The importance of increased private investments overseas has been recognized by many responsible government officials. Honorable C. Douglas Dillon, Deputy Undersecretary of State for Economic Affairs, told the Foreign Policy Association in New York City on May 21, 1958:

"I believe that we can and must find new ways to promote American private investment abroad  
\* \* \* \* \* A fresh effort must be made if the United States is to utilize its most effective energies in meeting the Soviet economic challenge."

*Hak Aug 11.*

CORRESPONDENCE

JUN 25 8 41 AM 1958

GENERAL FILES

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If we are to proceed along that line, the world must be educated as to the importance of protecting private property. Adequate safeguards must be found, first for the past United States private investments overseas which already total close to \$38 billion, and second, for the future investments which are so essential. The President of the American Bar Association, Charles S. Rhyne, recently proposed an international convention with enforceable sanctions to attain that objective, which he called "A World Law To Protect World Investments". (See attached memorandum). Comparable proposals have been made by prominent persons in other nations of the Free World which are also concerned with this vital problem.

Obviously, no plan for an international "code of honor," or Magna Carta, for the protection of private overseas investments can materialize without the leadership of the United States, whose businessmen are the world's biggest investors abroad.

It is my opinion--an opinion shared by many others--that the time has never been more appropriate for the formation of an American Society for the Protection of Private Foreign Investments, having as its principal aim the adoption of an international treaty to safeguard such investments against nationalization, expropriation or confiscation without adequate compensation.

Once the nucleus of such a society is formed, it is planned to have an organization meeting, probably in Washington, at which a president and other officers may be elected, and a program of long-range activity drawn up with the advice and cooperation of Government officials who are interested in this proposal.

As one of America's outstanding leaders, your participation in this undertaking would contribute greatly to its chances of success. I would consider it an honor if you would consent to be among those who would be the "charter" members of the proposed American society.

May I please have your reaction at your earliest convenience?

Sincerely,

  
H. STRUVE HENSEL

HSH:McB

Encl.

AN AMERICAN SOCIETY FOR THE PROTECTION  
OF PRIVATE FOREIGN INVESTMENTS

The 85th Congress has cleared the way for another gigantic foreign aid program involving the expenditure of billions of dollars of public funds. The Soviet economic offensive constitutes the No. 1 pressure behind this action.

However, the most responsible leaders in the Congress have served notice that these big annual appropriations eventually must be halted and that some substitute program must be put forward to provide foreign aid minus the aspects of a "dole" at the expense of the American taxpayer.

Conversations with responsible Government and private executives indicate clearly that the Government hopes eventually to shift the economic foreign aid burden to private industry. Government officials are now leaning to the position that private capital can take up the slack -- create jobs abroad, stimulate the economies of foreign nations, serve as "goodwill" ambassador to the world-at-large, and offset the Soviet campaign to woo the so-called development countries with big-scale economic assistance.

On net balance, unfortunately, the present U. S. economic aid program, based on Government-to-Government aid, has served to retard U.S. private investments abroad, for the simple reason that it has permitted foreign nations to avoid the sound political and economic policies necessary to attract private outside capital.

On the other hand, the American investor is not unaware of the advantages of plying his trade abroad. Today, American private investments overseas are estimated at close to \$38 billion. These investments are those of many of the biggest, and most respected, firms in the United States -- Ford, General Motors, Standard Oil, and countless others of like stature in their own fields.

But what of protection for these investment? It is true that the U. S. operates what it calls its "Investment Guaranty Program." But this program presupposes that private investments may be endangered in many parts of the world. Even its most stalwart supporters agree that something more is needed -- something that could cope with a rebel government in Indonesia, a Nasser in Egypt, a revolution in Cuba, an overthrow of government in Latin America or elsewhere. All of these happenings could--and do--have disastrous consequences to the American investor abroad.

In 1956, a group of prominent West German industrialists, bankers and civic leaders, formed the Cologne Society to Advance the Protection of Private Foreign Investments. The head of this Society is Hermann J. Abs, perhaps the outstanding banker in West Germany. Mr. Abs, a leader in the move for restitution of claims made by minority groups which suffered persecution under Hitler, outlined his plan last fall at the San Francisco Industrial Development Conference sponsored by Time-Life-Fortune magazines. It won immediate support from businessmen here and abroad.

The essence of the plan is simply this: The nations of the world would enter into an international agreement for the protection of future private overseas investments against confiscation, nationalization, or expropriation -- without just compensation. An International Court would be created to review claims for damages. The Court's decisions, if not complied with by any offending nation, could result in economic sanctions.

The list of those who have given support to Mr. Abs' program is a long one, and contains the names of many men prominent in American business, industry, civic affairs, and the legal professions. One of the most ardent supporters has been Mr. Charles S. Rhyne, President of the American Bar Association. In a recent speech, Mr. Rhyne said:

"Securing protection for private world investment would be, in itself, a magnificent contribution to mankind. Private world investment offers in my view the best way to bring the full capacity of the financial and technical resources of the 'have' nations in the western world to the aid of Latin America, Africa, the Middle East, and Asia."

Since American businessmen are the biggest investors abroad, it would seem logical that they would be the persons most concerned with interested in, some international form of protection for their investments.

Therefore, it is proposed to create an American Society for the Protection of Private Foreign Investments -- to cooperate with, and work in close harmony with, societies of other nations formed to advance the same aim.

Obviously, the working out of an international agreement would get nowhere without the support of the United States, which represents the world's biggest group of private investors abroad. American businessmen have the greatest stake in the successful outcome of the program and, therefore, must take the lead in promulgating the plan.

The aim of the American organization would be no more than to promote governmental interest in an international agreement, and the establishment of an international tribunal, to safeguard future private overseas investments against confiscation, nationalization or expropriation under non-lawful conditions.

A panel of prominent American business leaders is being drawn up to form an American society. This panel includes the names of men known throughout our country as leaders in their respective fields.

The aim of the American organization would be no more than to promote governmental interest in an international agreement, and the establishment of an international tribunal, to safeguard future private overseas investments against confiscation, nationalization or expropriation under non-fair conditions.

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CORRESPONDENCE

JUN 25 8 41 AM 1958

COMMUNICATIONS SECTION

RECEIVED

**CROSS REFERENCE SHEET**

**COMMUNICATION:** Memo  
**DATED:** June 11, 1958  
**TO:** Mr Knapp  
  
**FROM:** Leslie Butcher

**FILED UNDER:** Conferences - World Trade Advisory Committee -

**SUMMARY:**

Amongst the subjects discussed at the meeting was the development of private investment abroad.

AIRMAIL

June 9, 1958

Mr. Christian Platou  
Trostertidotien 2  
Slendal, near Oslo  
Norway

Dear Chris:

My first assignment with the World Bank requires me to look into the tax laws of various countries in respect to the national policy towards investment banks. If by any chance you happen to know something about a preferential treatment which would be granted by Norwegian tax law to investment banks, either domestic or foreign, be kind enough to drop me a line on the subject.

I am looking forward to seeing you and Fanny in Washington this coming September. Don't forget to give my best regards to Fanny.

Sincerely,

RJBenrubi/ep

June 9, 1958

Dear Mr. Barnes:

As an attorney for the International Bank for Reconstruction and Development, I am currently engaged in the study of the policy adopted by various states in connection with the taxation of profits made by investment banks on their investment in their own country. For the moment I am specially interested in countries which grant a preferential tax treatment to investment banks, and I wonder if you could not give me some advice on the material available on the subject in the Harvard Law School library (recent theses or papers, for instance).

I have kept an outstanding souvenir of the wealth of the School's stacks. Therefore, I suppose that if you were kind enough to help me, it could greatly facilitate my research.

Yours sincerely,

Roger J. Benrubi

William S. Barnes, Esq.  
Harvard Law School  
Cambridge 38  
Massachusetts



## OFFICE MEMORANDUM

TO: Files

DATE: May 20, 1958

FROM: Andrew C. Huang

SUBJECT: Private Overseas and Foreign Investment

Last week I talked to Mr. J. J. Polak of the Fund to ask if he had any comments on the two studies on anticipated investments abroad by U.S. and U.K. companies. Mr. Polak feels that they are an interesting contribution in an area of economic research in which much work remains to be done. He had, he said, no suggestions of any "real value" to make at the present stage, but that he would like to receive further studies as they are made.

CC: Mr. Rist

*Private Investment  
Mrs. Boesky*

HARVARD LAW REVIEW

PUBLISHED BY

THE HARVARD LAW REVIEW ASSOCIATION

CAMBRIDGE, MASS.

February 14, 1958

Mrs. Shirley Boesky  
International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington 25, D. C.

Dear Mrs. Boesky:

The Harvard Law Review note on United States government and international assistance to private foreign investment, which I discussed with you when I was in Washington in October, is scheduled to appear in the April, 1958 issue of the Review.

Enclosed you will find the first galley proofs of this note. These proofs have not been proofread and there are undoubtedly a number of typographical and press errors which will have to be corrected. Otherwise, however, the note appears as it will in final form.

I thought that you or someone in your office might be interested in reading the note before it appeared in final form. Any suggestions or corrections you may have will be taken into account by the Review if they are forwarded to us in time. Since it is both expensive and difficult to make changes once the type has been set for the final copy, I would appreciate it if you would examine these galleys as soon as possible and forward your comments immediately.

I hope that you find the note interesting and I would like to thank you again for your kind assistance in its preparation.

Sincerely yours,

*David K. Page*  
David K. Page

*Mr. Nurich  
will talk to him  
tomorrow  
2/24/58*

Mr. R. L. Garner

August 23, 1957

Leonard B. Rist

PRIVATE LONG TERM INTERNATIONAL INVESTMENTS DURING 1956

Complying with your request of July 23 I am attaching a note prepared by Mr. Carel deBeaufort on private international investments during 1956 which might be useful in connection with your speech at the Annual Meeting.

C.deBeaufort/ib

PRIVATE LONG-TERM INTERNATIONAL INVESTMENTS  
DURING 1956

In 1956 international investments made throughout the Free World rose to the highest level attained during the Post War period.

The contribution made by the United States was by far the most important. Its long term private investments abroad rose from \$26.7 billion at the end of 1955 to \$30.1 billion at the end of 1956. The increase of \$3.4 billion consists of a rise of almost \$600 million in United States portfolio investments in foreign securities - from a total of \$7.4 billion to \$7.9 billion - and of a \$2.8 billion increase in the book value of direct investments - from a total of \$19.3 billion to \$22.1 billion. The portfolio transactions include some \$400 million publicly issued dollar bonds. In this manner Canada obtained more than \$300 million in new funds, Israel about \$50 million and Australia about \$7 million. (See the attached tables which also show that during the first half of 1957 new funds were obtained by Australia \$3 million, Canada \$234 million, Israel \$3 million and the European Coal and Steel Authority \$35 million).

The main recipient areas of United States private direct investments were Canada, Latin America and Western Europe. The book value of U.S. investments in Canada rose by \$900 million - from \$6.5 billion to \$7.5 billion - sixty per cent of the increase was financed by an outflow of funds, the rest by retained earnings. Particularly large investments were made in the petroleum and manufacturing industry.

Mr. R.L. Garner  
8/23/57

- 2 -

Latin America and Western Europe obtained sizable dollar funds through transactions of a special nature in the petroleum industry, e.g., the \$176 million purchase of the Trinidad Oil Company from British investors and payments totalling \$247 million for new oil concessions in Venezuela. It is generally expected that these transactions are only the forerunners of a further and accelerated world wide expansion in the petroleum industry. 1/

In countries other than Canada the book value of U.S. investments in manufacturing rose by about \$400 million - financed by a capital flow of \$167 and retained earnings of \$231 million. Nearly half of the manufacturing investments outside of Canada were made in Western Europe where the principal recipient was Western Germany. In Latin America manufacturing investments totalled almost \$150 million, mainly in Brazil, Mexico and Venezuela. In other parts of the World re-invested earnings added about \$50 million to the book value of investments in Australia, India, Japan, the Philippines and the Union of South Africa.

The largest increases in manufacturing investments were in chemicals, automotive products and machinery with each of these groups accounting for about 20 per cent of the increase while investments in foodstuffs, paper and pulp, fabricated metals and rubber products each accounted for about 10 per cent.

The book value of investments in mining and smelting enterprises outside of Canada rose about \$110 million in 1956 - \$60 million was financed by capital flows and \$50 million by re-invested earnings.

---

1/ See: Future Growth and Financial Requirements of the World Petroleum Industry, The Chase Manhattan Bank.

R.L. Garner  
8/23/57

- 3 -

The investments were principally made in copper mines in Chile and Peru and in various metals and minerals in Mexico and Africa.

Judging from investments planned for 1957 and subsequent years U.S. direct investments may be expected to continue to run at a high level, although tightness in the capital market may reduce the flow to some extent. The investments will largely remain concentrated in the same areas and industries as in 1956. However, investments are being planned at an increased rate in electric power projects, which for the first time may include atomic plants. There are also indications that the establishment of the European Common Market may lead to larger U.S. investments in that area.

Private long term foreign investments in the United States rose from \$12.6 billion to \$13.4 billion. The increase of \$770 million consists of a rise of \$475 million (\$130 million on account of an increase in market values) in the value of foreign holdings of U.S. securities - from a total of \$8.3 billion to \$8.8 billion - and of an increase of almost \$300 million - from \$4.3 to \$4.6 billion - in private direct investments in the United States. Western Europe's investments in the United States rose from \$2.7 billion to \$2.9 billion and Canadian investments in the U.S. from \$1.3 billion to \$1.5 billion. During 1956 the direct investments were financed by capital flows of \$180 million and \$115 million of undistributed profits. 2/

The available statistics on Europe's foreign investments are incomplete and less detailed than the American ones. Moreover the coverage differs between the various countries making it difficult to compare or combine them.

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2/ A table on the International Investment Position of the United States is attached.

It is probably safe to say that in spite of the uncertainties created by the Suez crisis and the tightness of the capital markets, the net outflow of private investment funds in 1956 decreased only slightly from the annual level of almost \$1 billion reached in 1954 and 1955. This figure can not be compared with the figures on outflow of funds from the United States (\$2.4 billion consisting of \$600 million in portfolio and \$1.8 billion in direct investments). In several European countries the data are recorded net of the inflow of non-resident investment capital in these countries. In the United Kingdom the latter are estimated for recent years at about 20% of the net outflow of resident capital, apart from the extraordinary purchase of the Trinidad Oil Company for \$176 million referred to above. The United Kingdom's share of the net outflow was about \$400 million. As usual most of its investments were made in the sterling area. Similarly French overseas investments remained concentrated in the franc area.

The third country which continued to make important investments abroad including its overseas territories was Belgium. But in 1956 its overseas investments did not quite reach the peak of more than \$150 million obtained in 1955, almost 30% of which went to the Congo.

In Switzerland domestic demands on the capital market caused a sharp drop in its foreign lending. Bond issues were floated totalling \$64 million for the Belgian Congo, the European Coal and Steel Community, Italy, Norway and a U.S. corporation. In The Netherlands the capital market was closed in 1956 for foreign issues. On the other hand Germany's foreign investments rose from about \$50 million in 1954 to almost \$100 million in 1956. A further sharp rise would seem to be both possible and probable.

International Investment Position of the United States  
(billions of dollars)

---

	end of ...	<u>1955</u>	<u>1956</u>	<u>Change</u>
<u>United States Private Investment Abroad,</u> total		26.7	30.1	/ 3.4
of which				
Portfolio		7.4	7.9	/ 0.6
Direct		19.3	22.1	/ 2.8
	Net outflow			/ 1.8
	Re-invested earnings			/ 1.0

Foreign Investment in the United States

Direct	4.3	4.5	/ 0.2
Corporate Stocks	6.6	7.0	/ 0.4
Corporate, State and Municipal Bonds	0.3	0.3	-
U.S. Government bonds	1.6	1.5	- 0.1
Others	1.5	1.5	-
	Total long-term	14.3	14.8 / 0.5



W.S.

Messrs. Garner, Iliff, Sommers

August 1, 1957

Leonard B. Rist

Protection of Private Investment Abroad.-

I took advantage of my recent trip to Europe to pursue my previous inquiry on the various schemes which are now being devised for the purpose of protecting private investment abroad. This is a subject which has been actively discussed since the early '30s, especially under the auspices of the League of Nations and the International Chamber of Commerce. These first endeavors had come to nothing but in the face of the recent revival of capital exports to the underdeveloped countries these same problems are again being thrashed out. The purpose of this memorandum is, therefore, to summarize what I know of the efforts made at present by various groups and the present status of these efforts. I shall also add some personal comments.

I - SOME PROPOSALS for INTERNATIONAL AGREEMENTS or "CONVENTIONS"

A. - International Chamber of Commerce:

In 1949 the ICC published the text of a proposed international convention, the text of which is in the Bank's files. This draft included (a) a Code of good behavior which is both ambitious and elaborate. It is so ambitious indeed that it tends to eliminate exchange controls on transfers of earnings and capital. (b) The submission of all conflicts arising of the non-observance of this convention to a Court of arbitration, the awards of which would be recognized by the signatory powers.

It appears that neither the Code nor the arbitration provisions would be acceptable to any of the "creditor" countries and the proposed convention as it stands has, therefore, no chance whatever of being either pushed by the creditor countries or accepted by any debtor country. Nevertheless, the ICC, at its Naples meeting of June 1957, passed a resolution which expresses the wish that the ECOSOC "in concert" with the IBRD and the IFC call an international conference to discuss ways and means to protect investors abroad, and that the ICC draft convention serve as one of the basic documents of this international conference. It also provides, however, that the ICC itself would continue to work on a re-draft, since certain of its members - in particular the French - find it much too ambitious and totally impracticable.

It is not likely that this resolution which has been duly communicated to the ECOSOC will be put on the Agenda of this or any further session of that body - unless one of the member countries insists for putting it up. Lopez-Herrarte has recently reported that the main "creditor" countries did not want to do so. Mr. Arnold France, of the British Treasury, has expressed to me their

and the Foreign Office's grave concern that a discussion on this subject at the ECOSOC would do more harm than good in that it would immediately bring forth interference by the Eastern block, a proclamation on the part of the underdeveloped countries to the effect that nationalization was legal and finally a request that the Code of good behavior for host countries be accompanied by a Code of good behavior for guest capital. As long as no member country of the ECOSOC is inclined to provoke a discussion, and as long as the ICC does not drastically revise its proposal, this particular plan may, for all practical purposes, be considered a dead issue.

**B. - Mr. Abs' Magna Charta:**

With the accompaniment of great fanfare Mr. Abs, senior member of the Vorstand of the Deutsche Bank, has for several months been campaigning for an international convention. Private ownership of enterprises should, in his view, be protected in times of peace and war, and it may not be a mere coincidence that his proposal should have been widely publicized at the very time when the question of the return of German assets taken over by the U.S. government during the war was agitated in Washington. Whatever the outcome of this particular controversy may be, Mr. Abs is, however, committed towards public opinion to present a draft convention.

I have talked to him and his close associates on the status of this document. It is not yet in presentable form and even on its substance agreement has not been reached within the German voluntary committee which is working on it at present and which includes Mr. Brinkmann, the well-known Hamburg banker. A first draft, which I could look at for five minutes, included (a) a code of good behavior, much more moderate than the ICC one but still very elaborate, (b) a provision for arbitration, (c) sanctions to be applied by all creditor nationals of the signatory powers if the arbitration award is not complied with by the debtor country. These "sanctions" are supposed to include the refusal to grant new credits to or to make new investments in the defaulting country.

Mr. Brinkmann told Mr. Iliff and me in Basle that there were serious disagreements within the German committee as to the applicability of sanctions, and this particular feature of the draft convention may therefore disappear. In addition, it is quite clear that the German committee, no more than the ICC, had considered the question whether the creditor countries could agree to sign a convention such as they wished to propose. In particular the provision whereby an International Court of arbitration might review decisions of national courts had not really been recognized as involving surrender of sovereignty and therefore as a delicate problem of constitutional law.

It is probable that the much advertised Magna Charta, unless it is drastically revised, will have no more practical results than the ICC's attempt.

**C. - European League for Economic Cooperation:**

This organization, which includes a number of outstanding businessmen and bankers in Western Europe, is at present preparing still another draft convention. Baron Boël spoke about it to Mr. Black and myself when last in Washington (May 1957) and I saw their secretary, Mr. Sermon, of BRUFINA, in Brussels.

The information given by these two gentlemen was somewhat vague and in parts contradictory. The League is obviously trying to draft a convention generally along the same lines as Mr. Abs, although or perhaps because, Mr. Abs is a member of the League. I have not seen their present draft which is supposed to include (a) a code, (b) an arbitration provision and (c) sanctions. As in the previous cases, the lawyers consulted seem to be specialists of private and commercial law rather than specialists in international public law. Mr. Sermon told me that they had not considered whether the text was one which the "creditor" countries could bind themselves to.

This would not be really necessary if the description given by Baron Boël was correct: he envisaged that this convention would be for following purposes: when a new investment is made in an underdeveloped country, the investor would try to obtain from the local government an undertaking according to which the latter would abide by the provisions of the Convention with regard to this particular investment. And in so doing the host country would automatically accept the code of behavior written into it and the jurisdiction of a Court of Arbitration for any conflict between the private investor and said government. The government of the capital exporting country would then be involved only to the extent that it would undertake to apply sanctions against the debtor country if the latter does not abide by the arbitral awards. In a way, this would be a new concept not covering the whole field of foreign investment but only new ventures and the creditor countries would only have to agree among themselves that they would apply sanctions.

The question whether the government of a creditor country could legally request its private citizens to refuse credit and prevent new investment in another country which is branded as defaulting under an arbitration award has not been explored. Another great weakness of Baron Boël's proposal would be this: assuming that a few investors from certain creditor countries would try to impose special terms on the host governments for the protection of their new investments, and assuming the host country should refuse to accept these conditions, other investors may well be found in other creditor countries who would be willing to assume the risk. The search for protection may thus turn out to mean losing business. Finally no attempt has been made by the League to find out what the possible reactions of U.S. or Canadian interests could be.

The text of the European League proposal has not been published and it may be quite some time before it sees the light of the day.

#### D. - Discussions at the U.K. Treasury:

In order to be complete, I ought to mention a suggestion made to me by Mr. Arnold France, U.K. Treasury, although it has no more practical interest. At the time of my visit to London he was quite concerned at the prospect that the ICC resolution may be picked up by ECOSOC. He indicated that the Foreign Office and the Treasury had been wondering whether in that case the World Bank could not consider taking the initiative. An acceptable proposal, from the British point of view, would have been that the Bank, in its efforts to improve the climate for private investment, should ask its member countries to make a simple and straightforward declaration of intent which would merely state that foreign investment would be given "fair and equitable treatment"

and that in the cases where harm should be suffered by the foreign investors by action of the host government they would receive "prompt and adequate compensation". The Bank would then decide when there was a failure to abide by these simple rules and refuse to lend as long as the incident had not been straightened out.

I pointed out to Mr. France that a simple declaration of intent would of course be infinitely better than all the complicated codes which are being proposed right and left, and that a number of countries had already made similar statements on a unilateral basis, although I did not have a full record of them. I added, however, that I could not possibly see how the World Bank could undertake to become the sole judge in matters as intricate as those relating to operations of private companies in their relationship with local authorities. These relations were infinitely more complex than straightforward bond operations where a default could usually be defined without too much trouble but already gave rise to serious controversies. Finally, I reminded Mr. France that the World Bank was the only institution which had ever applied sanctions against defaulting debtors, and that for the Bank to refuse to lend had not prevented government lending agencies or government credit insurance agencies from granting and encouraging credit to the defaulters.

In any case, Mr. France's suggestion was only tentative and it has no more point today since the ECOSOC will not discuss the ICC resolution.

## II - PERSONAL COMMENTS

### A. - Sanctions:

No agreement on sanctions is ever likely to be taken seriously by all potential credit givers or all potential investors abroad. The most that could ever be hoped for is that if a court of arbitration should find against a host government and if the latter should not apply the court's findings, then the host country would be branded a defaulter. One could expect this moral condemnation to be at least as powerful as unenforceable legal "sanctions". The World Bank has taken the protests of the bondholders Committees quite seriously, and although it was the only institution to act in this fashion, its influence was strong enough to help remove a number of defaults in the field of public indebtedness. The same may perhaps take place in the field of private investment, some day in the future.

### B. - Code:

It is hardly possible to reach international agreement on a text which would provide anything more than a simple statement of intent. An intricate code will always contain one or more provisions which will arouse suspicion or misapprehension among the host countries. A declaration of intent, assuming one was felt to be desirable, should therefore be extremely simple

and contain no more than assurances of "fair and equitable treatment" for foreign investors, together with a promise of "prompt and equitable compensation" in case harm is sustained by them by government action in other than force majeure circumstances. In addition one should be careful to draft it in such a way that the main "creditor" countries be ready to sign it without difficulty.

In view of the fact that a number of countries have already made unilateral declarations in that sense, I have asked the Foreign Investment Division to try and list the countries which have done so.

### C. - Arbitration:

Unilateral or multilateral declarations of intent by themselves are hardly likely to convince potential investors. The real weapon in this respect would be arbitration. Arbitration without a code would be better than a code without arbitration. That, however, this specific point raises innumerable difficulties is well illustrated by the fact that the ICC draft convention and Mr. Abs' draft simply mention arbitration without defining the constitution of the court. The European League is trying to go a little further and Baron Boël suggested to me that it might not be impossible to request the Hague Court to establish a panel of acceptable arbitrators, or even to designate a Court of arbitration for cases involving foreign private claims against governments. Whether this is practical or not is not clear but at least Baron Boël's remark shows that he is aware of the institutional problem involved.

The issue is to define a body which could accept jurisdiction on matters involving private foreign claims against a government. At present such a body does not exist on a standing basis and it has to be built up ad hoc in each specific case. In a number of contracts between individual governments and private consultants or private contractors, an arbitration clause had been included, implicitly or explicitly, calling for the appointment of special arbitrators in case of conflict. One may well wonder (and Mr. Sommers and I agree on that point) whether the establishment of a special body to deal with just these cases would not be a constructive step. As the Court would gain prestige, it might then be called upon to deal with other cases which by common consent of the two parties have become or may become subject to international arbitration.

I understand that the Legal Department has been asked to look into the statutes of The Hague Court and in the operations of the American Arbitration Association and of the International Chamber of Commerce in the field of arbitration with a view to defining possible forms of arbitration bodies.

D. - It should be recognized, however, that it is probably hopeless to expect the underdeveloped countries to accept in principle the jurisdiction of an arbitration court in the case of conflicts involving a foreign private investor and their own government. They may do so in individual cases or by special agreement but hardly by treaty or convention. Neither the U.S. nor the U.K. could possibly do that and any convention would have to be acceptable to the

"creditors" before it is even proposed to the "debtors". In order to conquer this obstacle, one would have to imagine that some body in the U.S. government, say I.C.A., should feel so strongly about the advantages of international arbitration as a means to promote private investment abroad, that it would get Congressional consent to an agreement involving such surrender of sovereignty. In the present frame of mind of Congress, this is hardly thinkable. The most reasonable thing to do is therefore to lower one's sights and investigate the possibility of a step by step approach as defined in paragraph C.

Co: Messrs. Demuth  
Broches  
de Beaufort  
Delaune

Messrs. Iliff and Rist

July 24, 1957

Richard H. Demuth

ICC Proposal for a Bank/UN Conference on Investment Code

Mr. Rist mentioned at a staff meeting a few weeks ago the resolution adopted by the International Chamber of Commerce which was being distributed in the Economic and Social Council proposing that the Bank and the United Nations jointly sponsor a conference to formulate a code for private investment and to take steps to restore confidence in such investment.

I have just received a letter from Lopez-Herrarte stating that he had had long talks in Geneva with the U.S., U.K., Canadian, French and other delegations and that they have all agreed to take no action with respect to the ICC proposal. Enrique states that it is his opinion the matter "has been by-passed".

RHD:es

cc: Central Files

*File*

## OFFICE MEMORANDUM

TO: Files (*R. Loumes*)

DATE: July 2, 1957

FROM: Leonard B. Rist *LR*

SUBJECT: Protection of private investments abroad.

I asked to Mr. Giscard d'Estaing, President of the International Chamber of Commerce, why Sir Jeremy Raisman had told me that the German and French sections had been reluctant to support the resolution of the ICC suggesting that the ECOSOC should have a big conference on the above mentioned subject. His answer was that neither the French nor the Germans agreed with the Code prepared in 1949 by the ICC. The French think that it is much too strict and totally unacceptable. He did not quite know why Mr. Brinckman of Hamburg had tried to oppose the resolution. I personally suspect that it is for a quite different reason, that the Germans feel that the documents that they themselves have under preparation are better than the ICC ones.

In any case Mr. G.E. was very proud of having obtained that the resolution should mention that the ICC would continue its studies on the matter. In his opinion this indicates that not all members are satisfied with the Code as it now stands.

I asked him what he would consider a proper suggestion. He pointed out that:

- (a) It was better to have an arbitration tribunal without a Code than a Code with no arbitration;
- (b) He did not necessarily think of a tribunal but rather of successive arbitrators appointed in each case;
- (c) He did not think that any mention of nationalisation of such would be of any help in practice in view of the record of the Western countries in this respect and of the fact that this raises bitter questions of sovereignty;
- (d) He did not even think that the amount of the compensation awarded to the nationalised foreign investors could be a proper subject for regular systematic arbitration for the same reasons;
- (e) He feels that the most appropriate cases for improvement in international treatment of foreign



capital are limited to those where capital transfers, or transfers of income, are prohibited or hampered in a discriminatory fashion. Not, he said, in cases where exchange controls exist and function in a non-discriminatory fashion. The exchange control regulations have to be approved by the IMF. It is, therefore, only when a foreign citizen feels that these regulations are applied to him in a discriminatory fashion that an opportunity to complain may arise. In these cases it is hardly conceivable that the local tribunal may have jurisdiction. Agreeing to arbitration in these cases would not therefore mean superseding the local courts with arbitration proceedings;

- (f) As a practical matter, Mr. G.E. suggested that European countries, and possibly the U.S., should agree among themselves on a Treaty or Convention which would provide for arbitration in these relatively rare cases. After this had been done, the Europea-American group of countries (mostly creditors) would then suggest that the debtor countries should adhere to the same convention.

Clearly the ideas of Mr. G.E. are infinitely less impractical than those of any of the groups I have talked to (ICC, Abs, European League for Economic Co-operation). On the other hand the scope of operation Mr. G.E. has in mind seems definitely restricted to rather exceptional cases. Mr. G.E. added that it was his hope, and the hope of the Germans, that no national delegation at ECOSOC would pick up the communication from ICC and put it on the agenda.

*ll*

## OFFICE MEMORANDUM

TO: Mr. Davidson Sommers

DATE: June 10, 1957

FROM: Marie Louise Cathala *mlc*

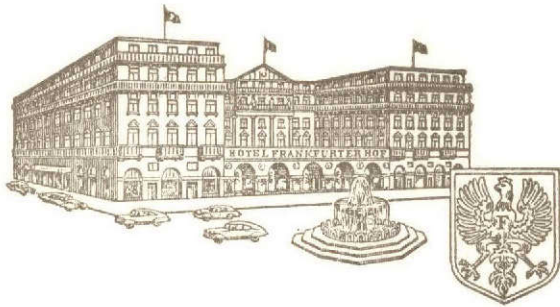
SUBJECT: Arbitrage & Protection of Private Investment abroad.-

I received this morning a letter from Mr. Rist, dated June 4th, which contains the following paragraphs of interest to you:

"1. Iliff found Sir Leslie Rowan and Sir Jeremiah Raisman quite excited about the resolution of the International Chamber of Commerce re. Protection of private investment and would like the Bank to take the lead. I shall see them both in London mid June.

"2. In addition, Brinkmann, of Hamburg, is quite enthusiastic about a new version of the "Abs Plan" which drops the idea of sanctions and reduces the "Code" to very little. Arbitration is now the main point. He will send me a copy of the new text in Paris. Maybe my trip to Frankfurt was not lost."

reit



# Hotel Frankfurter Hof

**A. STEIGENBERGER**  
HOTELGESELLSCHAFT KG. a. A.

FRANKFURT AM MAIN  
Kaiserplatz  
Telefon-Sammelnummer: 902 51, 906 51  
Telegramme: Frankhof Frankfurtmain  
Fernschreiber: 041-1806

**FRANKFURT AM MAIN**  
HOTEL MONOPOL-METROPOLE  
WEINGROSSHANDL. FRANKHOF  
BAD HOMBURG V.D.H.  
RITTER'S PARKHOTEL

March 20<sup>th</sup> 1957

**BADEN-BADEN**  
HOTEL EUROPAISCHER HOF  
BADHOTEL BADISCHER HOF  
HOTEL REGINA

Dear Gene = Protection of private investors (PAB)  
It is necessary to say that Mr. Ads was extremely glad to have an indication of your interest in his big project for an international agreement on the protection of foreign private investments with arbitration.

**BAD REICHENHALL**  
GRANDHOTEL AXELMANNSTEIN  
KURHAUS-BETRIEBE

The way things stand now, he has just received a draft from a former lawyer (Mr. Doble) he will submit his draft to his former committee on "protection of foreign investments"

**DUSSELDORF**  
PARK-HOTEL

**MANNHEIM**  
PALASTHOTEL MANNHEIMER HOF

Then amend it, then submit it to the "European League for European Economic Cooperation" which had some things to do in setting up the E.P.U. Then amend it again send either to public opinion (?) or to the International Chamber of Commerce or finally to the U.N. (the latter he mentioned with his tongue in his cheek)

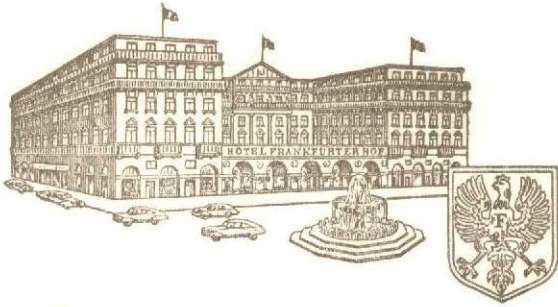
**STUTT GART**  
HOTEL GRAF ZEPPELIN

I pointed out that while you were far from having made up your mind as to the usefulness of the whole scheme or its contents, you may perhaps at some stage consider proposing something similar either to the governors or to the U.N. for its legal committee or both. He was rather pleased to receive an expression of interest from you, all the more as he and Donner had rather thought the Bank looked at the whole idea with fresh scepticism. Any avenue you may care to take, and any proposal you may care to put forward is all right with him, as long as the main aim remains some kind of real protection to the private investor.

Absender ist nicht das Hotel

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täglich ab 15 Uhr · IM KURHAUS

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Allgemeiner Linienverkehr ab Hauptbahnhof stündlich



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HOTEL REGINA

**BAD REICHENHALL**  
GRANDHOTEL AXELMANNSTEIN  
KURHAUS-BETRIEBE

**DUSSELDORF**  
PARK-HOTEL

**MANNHEIM**  
PALASTHOTEL MANNHEIMER HOF

**STUTT GART**  
HOTEL GRAF ZEPPELIN

FRANKFURT AM MAIN

Kaiserplatz  
Telefon-Sammelnummer: 90251, 90651  
Telegramme: Frankhof Frankfurtmain  
Fernschreiber: 041-1806

2

He is already aware of the fact that the U.S. is not very keen on any international arrangement of that kind. I had patterned that from some previous talks with State Dept. people and Summers has the same feeling. He has had a negative reaction from the U.S. member of the International Chamber of Commerce, and he believes it is because the U.S. feels it can best handle these things bilaterally. I told him and his number 2 (Mr Krebs) that I patterned the U.S. objection was rather <sup>that</sup> to accept

in principle that the directors of American courts could be reviewed by an arbitration court was tantamount to a surrender of sovereignty which Congress may well not swallow. But that on the other hand the U.S. diplomats found it difficult to get the Latin Americans to ratify bilateral treaties precisely because they were only bilateral. This may give some hope, if a strong ICA head would want to push the matter.

- As to substance, the draft agreement which he has
1. lists some rather good principles of good behavior. I personally expressed doubts as to the acceptability of any list of principles beyond "quick fair and adequate" compensation. He has not envisaged dropping the "code of good behavior" but agreed it could be pruned down.
  2. arranges for a court of international arbitration to settle disputes between private interests and governments after the recourse to local courts has been exhausted. The principle is so much along my <sup>own</sup> pet idea that I cannot comment. The detailed setup I have not seen.
  3. provides that the court could impose "sanctions" on the

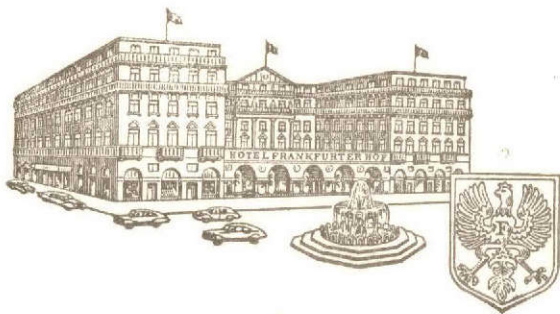
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Government if its award ~~was~~ <sup>is</sup> not complied with. He actually has in mind that credit would be refused. Told him that the precedent of the International Bank showed that a common line of action (or refusal) was the most difficult thing in the world and that however wrong in opinion, I could not possibly see how "sanctions" could ever be made effective. To my mind branding a default as such, was already quite an achievement. A warning was the only thing one could give.

Then the decision of the would-be creditor is an enlightened one, he ~~posedly~~.

There followed a rather amusing exchange when he considered that the creditor should have forced Schacht to pay up the Dawes and Young. I told him that I had acted as secretary of the Dawes trustees and that to this day I wondered what we could have done besides "protesting emphatically" every six months. The conversation dropped for a second.

Practical conclusion. You have a free hand but he would like to know if <sup>and where</sup> you plan to do some thing. He will let us have his drafts in their various stages and send us literature and tell us of his progress, if any.

Tonight he covered us again at a meeting of the Finance Section of the ICC to which he had invited me (to listen to his speech) to say that he was inclined to agree with me on the "sanctions".

Yours very sincerely  
Pearson

P.S. He also told me that he was pressing for a quick redemption of the outstanding Finance bonds but that your friend the Minister of Finance refused on the ground that he didn't have enough Dollars.

Roulette

SPIELBANK WIESBADEN  
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have enough Dollars.  
Baccara

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Allgemeiner Linienverkehr ab Hauptbahnhof stündlich

cc Dr. Lommes.

Mr. Leonard B. Rist

January 24, 1957

Radri Rao *BR*

UNITED STATES LONG-TERM PRIVATE INVESTMENTS ABROAD

With reference to your query on my memorandum of December 6, 1956 on the above subject, may I recall that Mr. Pizer's estimates for 1956 were cited in Mr. deBeaufort's memorandum of November 29, 1956. To recapitulate, Mr. Pizer estimated that U.S. direct investments abroad in 1956 will have aggregated \$1.2 billion, that reinvested earnings would amount to some \$750 million and that other private capital flows would correspond to roughly \$1 billion.

Since it is some two months since Mr. Pizer made these estimates, I called him up this morning to ask him if he had any second thoughts on the subject. He said that if anything, direct investment figures will have to be revised upwards to \$1.5 billion; there would be no change in the other figures.

It was very helpful talking to Mr. Pizer because he confessed that his remarks at the International Trade Conference were liable to misinterpretation. The \$1.0 billion figure in respect of "other" capital flows, should, he says, include portfolio capital, and banking and claims, both long term as well as short term - and is net of redemptions.

Mr. Pizer's revised estimates, I find, are projections of the figures in the balance of payments for the first three quarters of 1956. I have, accordingly, extrapolated the figures under each item - and shown these below against the corresponding figures for 1955 for comparison - and have now included the estimates for 1956 in tables I and III of my memorandum of December 6, 1956 attached herewith.

United States Private Foreign Investments  
(\$ million)

	<u>First 9 Months</u>		<u>Annual</u>	
	<u>1955</u>	<u>1956</u>	<u>1955</u>	<u>1956</u>
			<u>Actual</u>	<u>Projected</u>
Direct Investments (net)	- 467	- 1139	- 679	- 1500
New Issues	- 98	- 298	- 124	- 400
Redemptions	182	117	+ 203	+ 160
Other long term	- 245	- 334	- 359	- 440
Short term	- 23	- 258	- 194	- 340
	<u>- 651</u>	<u>- 1912</u>	<u>- 1153</u>	<u>- 2520</u>

CROSS REFERENCE SHEET

COMMUNICATION: **Letter**

DATED: **December 27, 1956**

TO: **Mr. B.K. Nehru  
Ministry of Finance  
Department of Economic Affairs  
New Delhi, India.**

FROM: **Mr. Knapp**

FILED UNDER: **Investment - General**

SUMMARY: **Re talks about the relative costs and benefits of foreign investment being a subject of considerable discussion and debate in Latin America**

Mr. Leonard B. Rist

December 6, 1956.

Badri Rao *BR*

U.S. Long-Term Private Capital Investments Abroad.

Apropos of the discussion last week regarding Mr. Pizer's statement on the above subject at the International Trade Conference and your request regarding data for years prior to 1956, I have prepared the attached four tables showing the growth in U.S. private investments abroad for the period 1951 - 1955.

It will be seen from Table III below that direct foreign investments by the U.S. rose in value from \$11.8 billion in 1950 to \$19.2 billion as of the end of 1955 i.e. by about \$1.5 billion annually. Such increases have been financed through (a) additional direct investment outflows of new capital and (b) reinvestment of earnings. During the 5 years under review, the net outflow of direct investment capital has been on an average, of some \$680 million a year, or somewhat less than one-half of the increase in the book value of investments; the remainder must, therefore, be attributed to reinvested earnings.

Table I shows the composition of net U.S. long-term capital flows by type. Besides direct investments, new issues and redemptions, there is an item for "other long term". This item includes data relating to transactions in outstanding securities and other long-term liabilities such as banking and commercial claims. It will be seen that over the five-year period there has been altogether a net outflow of private capital under this heading of about \$230 million resulting from a net outflow of \$550 million in 1951, 1954 and 1955 and a net inflow of \$320 million in 1952 - 1953.

The total outflow of long term private capital from the U.S. in 1950 - 1955 has amounted to some \$4.5 billion. Except for 1953 when the total outflow was about \$540 million, annual outflows in the rest of the period has averaged close to \$1 billion.

Table IV shows the year-end position in regard to U.S. banking and commercial claims on foreigners. These claims are of short and medium term maturity. A foot-note to the table which appears in the Survey of Current Business from which the figures have been extracted, indicates that these banking and commercial claims are exclusive of the figures relating to short-term capital movements shown in Table I. Summing up the two sets of figures it would appear that in 1955, for example, there was a net increase in U.S. short-term claims on foreigners of the order of \$600 million as against \$1.4 billion in 1954.

Attachment.

BR:kd



Table IUNITED STATES Net Movements of Private Capital

\$ Million

---

<u>Private Long Term</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Direct Investment (net)	- 528	- 850	- 721	- 664	- 679
New Issues	- 491	- 286	- 270	- 309	- 124
Redemptions	+ 113	+ 66	+ 139	+ 124	+ 203
Other Long Term (net)	- 59	+ 6	+ 316	- 135	- 359
<u>Long Term Net</u>	- 965	-1,064	- 536	- 984	- 959
<u>Short Term (net)</u>	- 103	- 94	+ 167	- 635	- 194
<u>Net Outflow of Private U.S. Capital</u>	-1,068	-1,158	- 369	-1,619	-1,153

Source: United States Balance of Payments

Table II

UNITED STATES: Net and Gross Movements of Direct Investment Capital

\$ Million

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
<u>All Areas</u>					
Outflow	- 1,003	-1,381	-1,273	-1,262	-1,247
Inflow	+ 476	+ 531	+ 553	+ 598	+ 568
Net	- 528	- 850	- 720	- 664	- 679
<u>Canada</u>					
Outflow	- 330	- 518	- 496	- 504	- 464
Inflow	+ 91	+ 98	+ 110	+ 119	+ 185
Net	- 240	- 420	- 386	- 385	- 279
<u>Latin America</u>					
Outflow	- 414	- 469	- 379	- 309	- 332
Inflow	+ 249	+ 192	+ 262	+ 221	+ 191
Net	- 165	- 277	- 117	- 88	- 141
<u>Western Europe</u>					
Outflow	- 97	- 68	- 118	- 166	- 204
Inflow	+ 35	+ 76	+ 69	+ 116	+ 75
Net	- 62	+ 8	- 51	- 50	- 129

Source: Survey of Current Business  
August 1956

Table III

UNITED STATES: Book Value of Direct Investments Abroad by Major Areas

\$ Billion

	<u>Canada</u>	<u>Latin America</u>	<u>Western Europe</u>	<u>All Areas</u> <u>1/</u>
1950	3.58	4.74	1.72	11.79
1951	3.97	5.18	1.98	13.09
1952	4.59	5.79	2.15	14.82
1953	5.24	6.03	2.37	16.29
1954	5.87	6.24	2.64	17.63
1955	6.46	6.56	2.99	19.19

1/ Includes areas other than those detailed above.

Source: Survey of Current Business  
August 1956.

Table IVUNITED STATES: Banking and Commercial Claims on Foreigners

\$ Million

	<u>All Areas</u>	<u>Canada</u>	<u>Latin America</u>	<u>Western Europe</u>
<u>December 31, 1953</u>				
Total	1,723 <sup>1/</sup>	169	686	597
<u>December 31, 1954</u>				
Banking Claims	1,813	89	897	524
Commercial Claims	587	86	197	210
Total	2,400 <sup>1/</sup>	175	1,094	734
<u>December 31, 1955</u>				
Banking Claims	2,198	160	1,113	516
Commercial Claims	619	98	193	217
Total	2,817 <sup>1/</sup>	258	1,306	733

<sup>1/</sup> Not including medium-term commercial claims as follows:

1953	\$	84	million
1954	\$	102	"
1955	\$	106	"

Source: Survey of Current Business  
August 1956

Mr. J. Burke Knapp

December 3, 1956

Harold Larsen

Private Direct Investment

I have not so far succeeded in finding anything very startling that might be sent to Mr. Nehru.

However, I attach:

- (a) An excerpt from an address by Henry Holland, which may be useful.
- (b) A summary of a study made by the National Association of Importers and Exporters of Mexico. This Association is sending me some copies of the full study (in English as well as Spanish); I will forward one to you when I get them. (You will recall that Mr. Sommers suggested, and you agreed, that we should send this to our Executive Directors.)

I have reread the paper Prebisch did for the Rio Conference. I doubt that this is useful for your purpose, being a statement of the thesis you want to refute.

I understand that the first results of the U.S. Department of Commerce study on U.S. investment abroad will appear in the January issue of the "Survey of Current Business."

EXCERPT FROM ADDRESS BY THE HONORABLE HENRY F. HOLLAND  
ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS  
BEFORE THE WORLD AFFAIRS COUNCIL OF PORTLAND, PORTLAND, OREGON  
FRIDAY, OCTOBER 7, 1955

Some people say that foreign private investment is bad for the host country. They agree that the new enterprises such investments establish are good, as are the new jobs they afford, the goods and services they produce, the taxes they pay. But they assert that through withdrawals of profits the foreign investor sucks away the foreign exchange reserves of the host country leaving it "de-capitalized."

Clearly, each government and each people must decide for themselves whether they want foreign investment in their country. That is a purely domestic decision, and we have neither the right nor the desire to interfere in it. We make no effort to coerce other governments to admit our investors. Nor do we exert pressure on our investors to go abroad. The demand for capital within the United States is strong, and the opportunities at home are such that our investors will leave only when the opportunities abroad make it attractive to do so.

Our own policy in the U.S. is to welcome foreign investors. This is an important fact which is not always understood abroad. The value of long-term private investments in the United States is today about \$11 billion, or almost half of the \$24.4 billion of U.S. long-term private investments abroad. The value of total foreign investments in the U.S. increased last year by about \$3 billion, or approximately the same amount as the increase in our own investments abroad.

Our policy of welcoming foreign investors is based on our belief that every sound new investment, whether domestic or foreign, benefits the area where it is made. It usually means new businesses, new employment, additional taxes, more goods and services for domestic and foreign commerce.

We are not concerned by the profits remitted abroad by foreign investors in the United States. The reason is that, with few exceptions, the profits that are sent abroad are only a small part of the dollars that the investor has earned, new dollars which would never have entered the host country were it not for the efforts of the investor. We believe that this is clearly true of U.S. investments in Latin America. In recent years they have remitted about 40 percent of their profits to the U.S. and have re-invested the remaining 60 percent in the host countries. In the aggregate they earn and bring into the Latin American economy each year far more dollars than they remit to the United States in the form of profits. Let us look at only one of the several ways that they produce dollars. United States companies in Latin America produce about 30 percent of the area's exports to the United States. This means that they earn for Latin America about \$1 billion a year. These are dollars which simply would not have entered the host country were it not for the presence there of the foreign investment. In contrast it is estimated

that since 1946 the total amount of profits remitted to the United States by our investors in Latin America has not exceeded \$380 million a year. So far each dollar that U.S. investors remit in profits they add almost two to the dollar resources of the host country. The figure is actually larger because I have disregarded dollars earned through exports to countries other than the U.S. and dollars saved through replacement of imports. U.S. companies in Latin America produce annually about 15 percent of all products manufactured in the area or about a billion and a half dollars each year. Part of the production is sold in export. The remainder is consumed domestically. Much of it replaces products which would have been imported had they not been produced within the country itself. This represents an additional important dollar saving to the host country.

Some further idea of whether foreign investments deplete a country's supply of dollar exchange can be had by observing the trend in foreign exchange holdings of the various Central Banks, treasuries and other governmental institutions. Such holdings in Latin America have increased from a total of \$150 million in 1937 to \$1,550 million in 1954 or more than ten times. This is a greater rate of increase than that of the world as a whole and can be attributed in part to the dollars earned for their host countries by foreign investors.

In the field of supplying developmental capital there is an important role for our Export-Import Bank and for such international financing organizations as the International Bank and its proposed affiliate, the International Finance Corporation. Many of the needs for additional development capital are in types of investment which are not attractive to the private investor, domestic or foreign. I have in mind such things as roads, port works, irrigation systems and the like. The banks I have mentioned are performing effectively in this field.

Some people have proposed that these banks should replace private foreign investors in Latin America. They assert that four or five percent government loans make less of a drain on local dollar reserves than private investment. We feel that this is not necessarily true. If a loan is made, dollars must be remitted abroad in good years and bad, in payment of interest and in repayment of the principal of the loan. If a direct investment is made, then profits can be remitted abroad only if they are earned. This is just another way of saying that direct investment usually generates itself whatever foreign exchange goes into remittances, while interest and principal payments on loans may be a demand on other sources of foreign exchange.

The following is quoted from Highlights in Latin America, dated September 28, 1956:

"One of the most constructive studies on U.S. business in Latin America in recent years has been completed by the Asociacion Nacional de Importadores y Exportadores of Mexico. The aim of the study was to find out whether such foreign investment was beneficial for the country. Some of the results:

"Of 52,200 employes of U.S. companies in Mexico, only 800, or 1.5 per cent, are U.S. citizens. One company which has more than 13,000 workers has only 196 U.S. employes. Another, with 1,500 employes, has only five U.S. citizens on its payroll. The trend has been toward employment of nearly 100 per cent Mexicans. A company which in 1951 had 1.5 per cent Americans on its payroll now has only .8 per cent.

"Executive positions in 46 U.S. companies are distributed as follows: Mexicans have 76 per cent of the decision-making posts, Americans have 24 per cent. Over the last two decades a new managerial class emerging in Mexico has been supplying American firms with most of their executive material.

"Twenty-two U.S. companies during the last year have shown such confidence in Mexico's future that they have re-invested 100 per cent of their earnings in expansion programs. Four companies invested more than 90 per cent; five, more than 50 per cent.

"Half of the companies studied were owned in part by Mexicans. Eight companies were controlled by Mexicans owning more than 50 per cent of the stock; 13 others had substantial Mexican holdings.

"Twenty-two of the 46 companies have brought new U.S. capital into the country in expansion plans during the last few years.

"Nineteen of the companies are now exporting manufactured products from Mexico. These include office furniture, batteries, farm machinery, sewer pipe, radios, machine tools, lead pipe, aluminum wire, type metal, explosives, and building hardware. Fourteen other companies add to Mexico's dollar earnings by exports of raw materials. Altogether, Mexico receives \$275 million a year from exports produced by U.S. companies.

"U.S. companies in Mexico have become a major market for Mexican producers. One large concern buys from 1,500 different Mexican companies. Another has 500 suppliers of parts. U.S. companies manufacturing in Mexico also are heavy buyers of such raw materials as sugar, corn, cacao, chicle, peanuts, zinc, coal, alcohol, iron, lead, wood, petroleum, manganese, gold, copper, and cordage fibers.



"Twenty-six of the 46 companies have training programs with the aim of having 100 per cent Mexican technicians. Thirteen companies send Mexican employees to the U.S. for two-year training courses. Twenty-one contribute to the maintenance of Mexican universities and technical schools.

"The study as a whole is being published in Comercio Internacional, the Mexican association's magazine. Actually it anticipates a hemisphere-wide survey now being made by the U.S. Department of Commerce on 500 U.S. companies doing business in Latin America. The aim of the U.S. study is to spell out in figures the benefits of U.S. investments in each country. The Mexican report may well be duplicated in other areas."

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Files

DATE: May 4, 1956

FROM: Badri Rao *BR.*

SUBJECT: LONG-TERM PRIVATE CAPITAL INVESTMENTS

Messrs. Chudson of U.N. Headquarters and Mr. Pollock of the Washington office of ECLA visited the Foreign Investment Division on Thursday, May 3, 1956 and talked to Messrs. deBeaufort, Butcher and myself regarding data on the above subject.

In the course of the discussion Mr. Chudson asked about: a) information relative to suppliers' credits and b) U.S. investments in foreign dollar bonds. Mr. deBeaufort commented in general terms on the situation in regard to export credits and regretted that the data submitted by member countries were confidential and could not be divulged. Regarding b) he referred Mr. Chudson to our Legal Department who are in touch with the legal measures being taken in this country to expand the scope for investments in foreign dollar bonds.

Messrs. Chudson and Pollock were given a set of our tables on bond issues.

BLYTH & Co., INC.

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NEW YORK 5, N.Y.

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CHICAGO  
BOSTON  
PHILADELPHIA  
SAN FRANCISCO  
LOS ANGELES  
SEATTLE  
PORTLAND

April 11, 1956

Mr. Robert Ganner  
Int'l Bank for Reconstruction & Development  
Federal Reserve Building  
Washington, D.C.

Dear Bob:

Just a line to tell you how much I enjoyed our lunch together the other day. I am hopeful that somewhere along the line we can develop a mutuality of interest between our two companies. Stew Hawes and I have gone over our Buying personnel, which is numerically weak even for our United States activities but we are increasing our staff by four young men and we are hopeful that within twelve months we will have one or two men in the Buying end who will be available for "loan" to learn something about the foreign field.

We are all thinking in the same general direction regarding the exportation of American capital to other lands.

Good luck, and always personal regards.

Sincerely yours,

*George*

GL:ds

Mr. Leonard B. Rist

April 6, 1956

K. Varvaressos

Mr. Carlson has informed me that Messrs. Garner, Demuth and yourself have been considering a survey of the contribution of private foreign capital to economic development and have suggested that a case study of Canada be undertaken by us.

I am writing to inform you that I told Mr. Carlson that we shall be glad to do this job on the basis of available data and information. We intend to start working on the project in a fortnight.

K.V.

KV/vch

Mr. K. Varvaressos

April 4, 1956

Reynold E. Carlson

ENQUIRY ON THE ROLE OF FOREIGN PRIVATE CAPITAL

I have been perusing with great interest the very substantial report which you have now completed on the Bank's General Survey Missions. Your report is a real achievement and I am sure it will have a substantial influence on Survey Missions in the future.

You will recall I spoke to you last December with respect to a project which Messrs. Garner, Demuth and Rist had suggested, namely, a survey of the role and contribution of foreign private capital in economic development. These men also suggested your name specifically as one who might be interested in collaborating in such a study. When we talked in December you were still immersed in the report which has now been released and we agreed that your report might be completed before embarking on any new projects, ~~and~~ Since this has now been done I am hopeful that you will be able to turn your attention to this question of foreign private capital. Both Mr. Garner and Mr. Demuth feel that, among other things, a case study of Canada would be a useful undertaking in view of the extraordinary growth that has taken place in recent decades financed, to a considerable degree, by private foreign capital.

Would you be willing to undertake such a study at this time and to lend us your valuable experience in other phases of the survey?

RECarlson/er

Messrs. Cavanaugh, Schmidt, de Wilde  
Umbricht and Broches

2108

George Young

Attached is a copy of a letter sent on January 18 by Mr. A.N. Overby to Mr. Black. A draft reply is also attached for your comments.

Could you please let me have your comments, if possible before luncheon, so that the reply can be ready for signature by Mr. Black before he leaves this afternoon. I am very sorry to give you so little time but the circumstances lay outside our control.

GRY/mw

Attachment



# Record Removal Notice

<b>File Title</b> Operational - Investments - Promotion and Protection of Private and Foreign Investment - Correspondence - Volume 4		<b>Barcode No.</b>  30357187		
<b>Document Date</b> March 28, 1956	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To: Mr. A.N. Overby From: Eugene Black				
<b>Subject / Title</b> [Private enterprise and investment in less developed countries]				
<b>Exception(s)</b>				
<b>Additional Comments</b> Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td><b>Withdrawn by</b> Kim Brenner-Delp</td><td><b>Date</b> August 16, 2023</td></tr></table>	<b>Withdrawn by</b> Kim Brenner-Delp	<b>Date</b> August 16, 2023
<b>Withdrawn by</b> Kim Brenner-Delp	<b>Date</b> August 16, 2023			

March 22, 1956.

Mr. Sunar Carlson,  
Director,  
Department of Economic Affairs,  
United Nations,  
New York. N.Y.

Dear Mr. Carlson:

Within our general program of research activities, we intend to undertake a comparative study of the distribution of investment by economic sectors. The study will cover as many countries as possible. Its purpose would be to appraise the extent of uniformities and diversities in the countries' past and current investment patterns and to arrive at a judgment on the relative importance of various strategic factors determining the sectorial allocation of investment resources.

Your published material indicates that this topic has always attracted the attention of your staff. I would be very grateful if any unpublished papers, data and other material dealing with past or current investment patterns could be made available to the Bank for temporary use. I would also appreciate any suggestions which you may have, including suggestions on bibliographical references in this field.

Sincerely yours,

Leonard B. Rist  
Director, Economic Staff.

em.



March 22, 1956.

Mr. Raúl Prebisch,  
Director Principal,  
CEPAL,  
Avenida Providencia 871,  
Santiago. Chile.

Dear Mr. Prebisch:

Within our general program of research activities, we intend to undertake a comparative study of the distribution of investment by economic sectors. The study will cover as many countries as possible. Its purpose would be to appraise the extent of uniformities and diversities in the countries' past and current investment patterns and to arrive at a judgment on the relative importance of various strategic factors determining the sectorial allocation of investment resources.

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Sincerely yours,

Leonard B. Rist  
Director, Economic Staff.

em.

March 22, 1956.

Mr. Hal Lary,  
Director, ~~Director~~,  
Research & Planning Division,  
ECE,  
Palais des Nations,  
Geneva. Switzerland.

Dear Mr. Lary:

Within our general program of research activities, we intend to undertake a comparative study of the distribution of investment by economic sectors. The study will cover as many countries as possible. Its purpose would be to appraise the extent of uniformities and diversities in the countries' past and current investment patterns and to arrive at a judgment on the relative importance of various strategic factors determining the sectorial allocation of investment resources.

Your published material indicates that this topic has always attracted the attention of your staff. I would be very grateful if any unpublished papers, data and other material dealing with past or current investment patterns could be made available to the Bank for temporary use. I would also appreciate any suggestions which you may have, including suggestions on bibliographical references in this field.

Sincerely yours,

Leonard B. Rist  
Director, Economic Staff.

March 22, 1956.

Mr. Milton Gilbert,  
OEEC,  
2 rue andre Pascal,  
Paris 16e,  
France.

Dear Mr. Gilbert,

Within our general program of research activities, we intend to undertake a comparative study of the distribution of investment by economic sectors. The study will cover as many countries as possible. Its purpose would be to appraise the extent of uniformities and diversities in the countries' past and current investment patterns and to arrive at a judgment on the relative importance of various strategic factors determining the sectorial allocation of investment resources.

Your published material indicates that this topic has always attracted the attention of your staff. I would be very grateful if any unpublished papers, data and other material dealing with past or current investment patterns could be made available to the Bank for temporary use. I would also appreciate any suggestions which you may have, including suggestions on bibliographical references in this field.

Sincerely yours,

Leonard B. Rist  
Director, Economic Staff.

em.

March 22, 1956.

Mr. P. S. Lokanathan,  
ECAFE Secretariat,  
Rajdamnern Avenue,  
Bangkok. Thailand.

Dear Mr. Lokanathan:

Within our general program of research activities, we intend to undertake a comparative study of the distribution of investment by economic sectors. The study will cover as many countries as possible. Its purpose would be to appraise the extent of uniformities and diversities in the countries' past and current investment patterns and to arrive at a judgment on the relative importance of various strategic factors determining the sectorial allocation of investment resources.

Your published material indicates that this topic has always attracted the attention of your staff. I would be very grateful if any unpublished papers, data and other material dealing with past or current investment patterns could be made available to the Bank for temporary use. I would also appreciate any suggestions which you may have, including suggestions on bibliographical references in this field.

Sincerely yours,

Leonard B. Rist  
Director, Economic Staff.

em.

March 20, 1956

Mr. August Maffry  
Vice President  
Irving Trust Co.  
1 Wall Street  
New York, N.Y.

Dear Mr. Maffry:

Thank you for sending your memorandum on Private U.S. Foreign Investment, which I received yesterday.

Now that I am back in Washington, I should like to express my thanks for your kind assistance; the information which you gave me is proving most useful to us.

With kind regards,

Yours sincerely,

Raymond Frost

RF:mm

CROSS REFERENCE SHEET

COMMUNICATION: Letters

DATED: March 20-21

TO: Mr. Hoyt Peck - IERD  
Mr. Nevil Ford - First Boston Corporation  
Mr. George Chittenden - J.P. Morgan & Co.  
Mr. Andre Meyer - Lazard Freres & Co.  
Mr. Francis T. Ward - Morgan Stanley & Co.

FROM: Mr. Frost

FILED UNDER: ALPHBETICAL

SUMMARY: Thanking them for help given in collection of information for his study on US Private Foreign Investment while he was in New York

March 12, 1956

Mr. Walter A. Chudson  
Chief  
Under-developed Areas Section  
Bureau of Economic Affairs  
United Nations  
New York, N.Y.

Dear Mr. Chudson:

Back in January we exchanged letters with respect to a modest inquiry which we are undertaking on the subject of foreign private capital. Unfortunately, my duties have not taken me to New York and I am wondering whether you would be able to outline the work that is being projected along these lines in your office. I note in your last letter this work will begin intensively around April.

As the new project takes form I may be able to take time out for a trip to New York in order to acquaint myself with the details of your work.

In the meantime, I would appreciate any information which you could supply me with respect to reference material and particularly statistical sources.

Sincerely yours,

Reynold E. Carlson  
Department of Operations  
Western Hemisphere

RECarlson/er

*Jan. 26 - held by Mr. Carlson  
Jan. 30*

ROUTING SLIP		Date
		March 4, 1957
NAME		ROOM NO.
<del>Mr. de wilde</del>		600
<del>Mr. Kucenka</del>		
<i>Jiles</i>		
Action		Note and File
Approval		Note and Return
Comment		Prepare Reply
Full Report		Previous Papers
Information		Recommendation
Initial		Signature
<p>R. ks</p> <p>I think we might send him abstract or the full report to BK Nelson to illustrate to him the <u>constructive</u> role which private foreign investment can play in the economic development of a country.</p> <p><i>John de W.</i></p>		
From		Reynold E. Carlson



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: FILES  
DATE: February 28, 1957

FROM: Reynold E. Carlson

SUBJECT: Foreign Private Capital

1. In connection with certain studies now under way in the Bank on the role of foreign private capital in economic development, attention is directed to two items of interest.
2. The first of these is a recent survey undertaken by the U.S. Department of Commerce on the impact of U.S. investment on the Latin American economy. The preliminary results have now been published and a brief survey of the report is attached.
3. The second item refers to a case study of Canadian experience with foreign private capital which has recently been completed by Professor Varvaressos and Miss Zafiriou. A summary of this material will soon be ready for general circulation.

Attachment

## U.S. DIRECT INVESTMENT IN LATIN AMERICA

The publication of a study by the United Nations in 1955 on "Foreign Capital in Latin America" aroused considerable interest in the various countries but it also precipitated a wave of criticism directed at foreign private investment. Individuals or groups with a strong nationalist bias took advantage of the statistics presented to "prove" that foreign private capital was, in effect, decapitalizing the host countries. Certain erroneous inferences were drawn from this report and widely publicized.

In order to counter this development and particularly to anticipate the economic conference of the Organization of American States currently scheduled for August 1957 in Buenos Aires, the Department of Commerce undertook to survey the American companies operating in Latin America. A questionnaire was circulated and complete reports were received from 300 companies representing 85% of total U.S. direct investment in Latin America. The preliminary results of the survey have now been published. (Survey of Current Business, January 1957.)

The survey was designed to cover not only the balance of payments aspect of U.S. investment, e.g. imports, exports, capital flow, remittance of profits, etc., but to gauge the total impact on the economy of the several countries. The contribution to production, the impact on incomes and the scope of investment activities have been summarized in the attached tables. In view of the dominant role of petroleum in total U.S. investment, the summary tables distinguish petroleum from other industries. Details are available on each of the principal industries surveyed, petroleum, agriculture, mining and smelting, manufacturing and public utilities, as well as on individual countries. This summary is restricted to operations and investment consolidated for the entire region.

Although the survey relates to a single year of operations, several important conclusions emerge. In the first place, the domestic market provided 55% and exports 45% of total sales. Secondly, 76% of total income generated by production was retained within the country; imported materials used in production accounted for another 11%. Thirdly, taxes paid to the respective governments were substantially greater than total payroll and absorbed 21% of gross revenues; remittances (branch profits and dividends) were only one-half the amount paid in local taxes or 11% of gross revenues. Fourthly, total investment, including new capital and re-invested earnings, was approximately equal to remittance of profits; moreover, two-thirds of the resources available for investment came from net income after local taxes.

Remittance of branch profits and dividends in 1955 amounted to 11% on book value of the companies covered in the survey; if petroleum is excluded, the return on book value is only 4%. However, book values in countries subject to chronic inflation usually understate the real value of the direct investment. Hence, profit remittances on industries other than petroleum would be considerably less than 4% if assets were given a more realistic valuation.

February 27, 1957

Enclosures (2)

U.S. INVESTMENT IN LATIN AMERICA\*

NET REVENUES, REMITTANCES AND INVESTMENT: 1955

(Millions Dollars)

	<u>Petroleum</u>	<u>%</u>	<u>Others</u> <sup>1/</sup>	<u>%</u>	<u>Total</u>	<u>%</u>
<u>SOURCES:</u>						
Net Income <sup>2/</sup>	512	73	246	51	758	64
Depletion & Depreciation	171	24	124	26	295	25
Net Inflow U.S. Funds	<u>20</u>	<u>3</u>	<u>110</u>	<u>23</u>	<u>130</u>	<u>11</u>
TOTAL	<u>\$703</u>	100%	<u>\$480</u>	100%	<u>\$1,183</u>	100%
 <u>USES:</u>						
Exploration & Development	61		11		72	
Plant & Equipment	236		192		428	
Inventory	<u>9</u>		<u>60</u>		<u>69</u>	
Total Investment	\$307	44%	\$262	55%	\$569	48%
Remittances: Branch Profits & Dividends	401	57	154	32	555	47
Other: Net Increase in Assets	<u>- 5</u>	<u>- 1</u>	<u>64</u>	<u>13</u>	<u>59</u>	<u>5</u>
TOTAL	<u>\$703</u>	100%	<u>\$480</u>	100%	<u>\$1,183</u>	100%

\* Totals may not add due to rounding.

<sup>1/</sup> Four industries: Agriculture, Mining & Smelting, Manufacturing and Public Utilities.

<sup>2/</sup> After local taxes but before charging exploration and development expense.

U.S. INVESTMENT IN LATIN AMERICA

GROSS REVENUES AND PAYMENTS: 1955

(Millions Dollars)

	<u>Petroleum</u>	<u>%</u>	<u>Others<sup>1/</sup></u>	<u>%</u>	<u>Total</u>	<u>%</u>
<u>REVENUES:</u>						
Domestic Sales	963	46%	1,772	62%	2,735	55%
Exports	<u>1,127</u>	<u>54</u>	<u>1,084</u>	<u>38</u>	<u>2,211</u>	<u>45</u>
Total Revenues	<u>\$2,090</u>	100%	<u>\$2,856</u>	100%	<u>\$4,946</u>	100%
 <u>LOCAL PAYMENTS &amp; ACCRUALS:</u>						
Wages	254		624		878	
Materials	509		989		1,498	
Interest & Dividends	29		33		62	
Other	<u>74</u>		<u>226</u>		<u>300</u>	
	866	41%	1,872	65%	2,738	55%
Taxes	<u>559</u>	<u>27</u>	<u>458</u>	<u>16</u>	<u>1,017</u>	<u>21</u>
Total Local	<u>\$1,425</u>	<u>68%</u>	<u>\$2,330</u>	<u>81%</u>	<u>\$3,755</u>	<u>76%</u>
 <u>EXTERNAL PAYMENTS &amp; ACCRUALS:</u>						
Imports <sup>2/</sup>	187	9%	367	13%	554	11%
Remittances: Branch Profits & Dividends	401	19	154	6	555	11
Other	<u>77</u>	<u>4</u>	<u>5</u>	<u>-</u>	<u>82</u>	<u>2</u>
Total External	<u>\$ 665</u>	<u>32%</u>	<u>\$ 526</u>	<u>19%</u>	<u>\$1,191</u>	<u>24%</u>
Total Payments & Accruals	<u>\$2,090</u>	100%	<u>\$2,856</u>	100%	<u>\$4,946</u>	100%

<sup>1/</sup> Four industries: Agriculture, Mining & Smelting, Manufacturing and Public Utilities.

<sup>2/</sup> Raw materials; Fuels, Spare Parts, etc.; capital goods omitted.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. Iliff

FROM: D. Sommers

SUBJECT: Letter to Mr. Rowland Owen

DATE: March 6, 1956

I do not think the first complete paragraph on page 2 should stand. I doubt that the second sentence of the paragraph is accurate and I do not think we should use the "cheaper" argument as in the last sentence.

I would substitute for the second, third and fourth sentences, the following:

*unreported*

It is our present policy to try to interest the private market in the credit of our borrowers and to make use of our guarantee powers only in very special circumstances and situations. If we cannot get participations without our guarantee, we prefer to lend directly, either out of our capital or out of the proceeds of our own borrowings in the international markets. I think that guaranteeing obligations underwritten by your Department would be a step in the other direction.

*ll*

Mr. Carel de Beaufort

February 27, 1956

B. Rao *BR*

Movements of Long-Term Foreign Private Capital to and from the U.S.

Attached are tables and explanatory notes on the above subject.

As it complements the previous paper I wrote on "International Movements of Long-term Private U.S. Capital", I have had the tables as well as the text numbered such that the two together will form an integrated whole.

Enclosures

BRao:mo

Mr. C. de Beaufort

February 16, 1956

B. Rao *BR*

International Movements of Long Term Private U.S. Capital

Attached is a paper on the above subject. The tables appended refer to net inflows and outflows of U.S. capital.

I have prepared similar data for inflow and outflow of foreign capital into and from the U.S. and shall put them together when I have completed my research in the availability of data on private long term capital movements for the U.K., France, Netherlands and Switzerland.

Enclosures

BRao:mo



\*

International Movements of Long Term Private U.S. Capital

A set of tables relating to movements of private long-term U.S. capital over the period 1946-1950 is attached. The data contained therein have been drawn from the worksheets of the Balance of Payments Division of the Office of Business Economics of the U.S. Department of Commerce and show net movements only. Gross flow figures for that period consistent with the revised balance of payments figures are not available. The Balance of Payments (1949-51) Supplement of the Survey of Current Business published in 1951 did show inflows and outflows of long term private U.S. capital; table B I attached incorporates in summary form the data published therein. But these figures are no longer accurate as foreign investment data for the U.S. have since been revised in the light of Commerce Department's Census of Foreign Investments undertaken in 1950.

Revised estimates of the net movements in long term private U.S. capital are published in Commerce Department's Balance of Payments (1949-1953) Supplement to the Survey of Current Business. The major difference between the old and the revised estimates is in "Direct Investments" as may be seen from the summary comparison of the two estimates below.

Net Long Term Private U.S. Capital Movements  
1946-50 (million of dollars)

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
<u>Direct Investments:</u>					
Old Figures	-183	-724	-684	-786	-702
Revised Figures	-230	-749	-721	-660	-621
<u>Portfolio Investments:</u>					
Old Figures	124	-86	-64	-10	-466
Revised Figures	127	-50	-69	-80	-495
<u>Total</u>					
Old Figures	-59	-810	-748	-796	-1168
Revised Figures	-103	-798	-790	-740	-1160

Commerce Department have not published revised gross flow figures for 1946-50 because of the following considerations. In the first place, the quinquennium 1946-50 was mainly characterized by massive movements of U.S. public capital in loans and unilateral transfers. They do not, therefore, feel that it would be worthwhile to work out revised flow data for that period, particularly since there have been basic revisions in their concept of foreign investments and investment capital flows; to go into all the complicated calculations to make the old flow data compatible with their revised criteria would, they feel, involve so much work that it would be useless to do so for a period as early as 1946-50.

\* Long-term, as here defined, implies a maturity of over one year.

Gross and Net Flow Concepts

A gross flow study of capital movements should include all inflows and outflows arising out of direct investment transactions, transactions in portfolio securities and other dealings in investment capital. Gross flows assist in studying the volume of transactions but from the point of view of the economic significance of capital movements, the really important figures are those relating to net movements. The economic contribution that a net capital exporter like the U.S. makes to the rest of the world is entirely dependent on the net result of its external capital transactions; it is obvious that any number of pairs of gross inflow-outflow figures could give the same net figure. Moreover, while the "net" figure is easily definable, "gross" figures would depend on the concept of grossness. This raises questions such as how gross is gross, should inter-company accounts of direct investment concerns include all transactions on either side of the ledger etc.

The old inflow-outflow data that the Commerce Department published suffered from several limitations. The data were obtained on a quarterly basis from American companies having direct investments abroad and the annual totals were obtained by summing up the quarterly figures. Insofar as the data were based on what parent U.S. companies showed as "flows", much depended on what exactly was reported in their inter-company accounts. Moreover, the summing up of quarterly data for deriving annual flow figures exaggerates capital movements and is misleading; the really significant data are the annual movements. The difference between the two methods of computation is shown in the following hypothetical example:

Long Term Private Capital Movements  
(millions of dollars)

	<u>On a Quarterly Basis</u>				<u>Year</u>	<u>On an Annual Basis</u>
	<u>1st Qr.</u>	<u>2nd Qr.</u>	<u>3rd Qr.</u>	<u>4th Qr.</u>		
Inflow	300	100	200	250	850	100
Outflow	<u>-200</u>	<u>-150</u>	<u>-400</u>	<u>-450</u>	<u>-1200</u>	<u>-450</u>
Net	100	-50	-200	-200	-350	-350

Commerce Department are now adopting the procedure of using annual data and netting out gross capital flows thereby eliminating those movements which have no relevance to the U.S. economy; the procedure becomes clear from the figures in the last column of the above table. Published flow data on the revised basis are for 1952-54.

The appended tables show both net movements in long term U.S. private capital on the revised basis (table AI) and gross flows of such capital on the old basis (Table BI). The revised data exclude items which were formerly included under investment expenditures, such as exploratory and development expenditures of foreign branches of U.S. petroleum enterprises since the latter themselves do not regard them as investment expenditures. Purchases

of U.S. ships for foreign subsidiaries which were formerly shown under "direct investment" are now included under "loans" from banks and insurance companies as they are more often so financed.

The old estimates of the gross movements in long term private U.S. direct investment capital are included in the present study (Table B II) only to give a very rough idea of the volume of such long term capital inflows and outflows. It would be incorrect for the reasons stated above to extrapolate on the basis of these figures and derive gross flow data to correspond to the revised net movements data shown in Tables A I, A II and A III.

As regards portfolio securities, the Treasury Department publish figures relating to security sales and purchases. Table A IV shows the annual volume of sales and purchases by foreigners of long term foreign securities held in the U.S. These again, do not tell the whole story. For example, a number of transactions in Canadian securities by U.S. investors go unrecorded. Commerce Department estimate the value of net purchases of such securities at \$159.5 million in 1946 and \$180 million in 1950.

A methodological difference in the U.S. Commerce Department's treatment of new issues by U.S. direct investment enterprises may be noted. They include such issues under "direct investment" which means that the Treasury's figures for transactions in portfolio securities have to be reduced correspondingly.

Conceptually, Commerce Department regards as "private" all transactions excluding only those in which the U.S. Government is not an active participant. The rationale is that insofar as private U.S. capital participates in investment transactions, it makes no difference whether the obligations purchased or sold are public or private. To exclude all such transactions where one party to the transaction is public would give an erroneous picture of private U.S. capital participation in foreign securities' transactions since the bulk of its dealings are in public bonded obligations, mainly of Canadian provincial and IRSD bonds; transactions in foreign stocks are comparatively small.

The data we have in the Bank <sup>or</sup> is for 1951 onwards. They relate to the external debt of only those countries which have borrowed from us. Amortization data for the period under study are not available. As regards new issues, our statements cover only publicly placed issues, private as well as public i.e. they do not include privately placed issues. Moreover, our statements show only the amount of such issues; they do not say how much of it was purchased with U.S. capital and the purchase price of such securities. Finally, an issue such as Joseph E. Seagram's \$50 million issue of June 1, 1949 which we regard as a Canadian issue is treated by the Commerce Department as a domestic issue by the parent company.

In view of all these difficulties, and in the interest of uniformity and compatibility, it has been decided to base the tabular statements on long term private U.S. capital movements on the Commerce Department data using the word "private" to mean all transactions wherein the active participants are private U.S. interests.

The appended tables are designed to show:

- (i) net movements of private long term U.S. capital by type (Table A I) and by area (Table A II);
- (ii) net movements of direct investment capital by major areas and industries (Table A III);
- (iii) purchases and sales by foreigners of foreign securities owned in the U.S. by type (Table A IV) and by geographical area (Table A V). (The regional breakdown is by "nominal residence" of the parties to the transactions; thus for example, if a Cuban investor were to instruct the Midland Bank of the U.K. to purchase for his account French securities in the U.S., the purchase would be shown as a "U.K." purchase); and
- (iv) unrevised data showing gross inflows and outflows of long term private U.S. capital (B I) and similar movements of U.S. direct investment capital.

It would be interesting to see to what extent private long term U.S. capital has dealt during 1946-50 in wholly "private" transactions i.e. excluding all transactions to which one party is "public". This would require data on what proportion of the new issues was privately absorbed, what proportion of the transactions in outstanding securities should be attributed to wholly private interests and a breakdown of redemption payments to show how much of them were on strictly private securities. Since such data are not available and since we know that the bulk of U.S. private capital transactions are in foreign public bonds, a very crude estimate of total U.S. private long term capital transactions in wholly private capital may, perhaps, be obtained by lumping together net movements in direct investment capital, net flow of capital arising from dealings in foreign stock only and net movements in other long term private capital:

Crude Estimate of Net Movements in Private  
Long Term U.S. Capital (\$ million)

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
Direct Investments	-230.0	-749.0	-721.0	-660.0	-621.0
Transactions in Foreign Stock	-0.4	14.6	-15.0	18.0	-24.4
Other Long Term Capital	<u>-96.0</u>	<u>52.0</u>	<u>19.0</u>	<u>-65.0</u>	<u>-542.0</u>
A. <u>Total</u>	-326.4	-682.4	-717.0	-707.0	-1187.4
Above Total as Compared with Total Shown in Table A I	-103.0	-798.0	-790.0	-740.0	-1116.0

(Negative figures indicate net outflow of capital from the U.S.)

Source: Tables A I and A IV appended.

February 16, 1956

Movements of Long-Term Foreign Capital to and from the United States

The above information relating to net flows of long-term private capital vis-à-vis foreign countries has to be supplemented by similar data on foreign capital movements to complete the picture of international movements of long-term private capital between the United States and the outside world.

Table A VI summarizes the available information on foreign long-term capital movements vis-à-vis the U.S. in 1946-1950. Two broad conclusions emerge from it:

- (i) by far the bulk of foreign capital movements is accounted for by changes in foreign portfolio investments, and
- (ii) massive dis-investment of foreign assets occurred in 1946-48 whereas in the two succeeding years, there was a revival of the inflow of funds into the U.S. reflecting, in part, the improvement in the world economy.

For reasons stated earlier, the data in Table A VI also relate only to net capital movements. "Gross flow" data on foreign direct investments do not exist but some information on transactions in portfolio investments are available. Table A VII contains information on total sales and purchases of U.S. securities by foreigners. It will be noted that the net figures shown therein correspond quite closely to those shown in Table A VI and may, therefore, be used as a reliable guide to gross flows of portfolio capital; such discrepancies as exist in the data as shown in the two tables are due to rounding out figures and unidentifiable omissions in reporting.

Table A VI suffers from one serious drawback. On the portfolio side, it does not differentiate between "public" securities and "private" long-dated obligations. The U.S. Commerce Department, on whose work-sheets the table is based, started reporting separately under these two heads only in 1950. In that year, as mentioned in the footnote to Table A VI, net purchases of U.S. long-term securities by foreigners amounted to \$944.3 million; of this, \$941.5 million or almost the entire amount represented net purchases of U.S. Government obligations.

In the absence of data for the years prior to 1950, we can only make a rough estimate of how much of the dis-investment or new investment in portfolio capital was in different types of U.S. securities. The U.S. Department of Commerce's census of foreign investments may serve as a guide for this purpose. However, any conclusions based on census data cannot be wholly satisfactory since the census does not firstly, differentiate between State, Municipal and Corporate bonds but lumps them together showing only figures for U.S. Government obligations separately, and, secondly, the evaluation of foreign-held assets is based on prevailing market prices; this would lead to misleading conclusions since in a period of sharply fluctuating security prices, as was perhaps very much the case in 1946-50, prices may very well conceal, offset or exaggerate the influence of new investment or disinvestment.

These objections to the census data may not, however, be serious for the purpose of our present investigation. As to the first, it is unlikely that

foreign investments in U.S. State and Municipal bonds amounts to much. For example, in 1945, foreign long-term assets in the U.S. were valued at some \$12 billion; of this amount, holdings of State, Municipal and Corporate bonds amounted to \$644 million of which about \$550 million were in Corporate bonds and the rest was invested in State and Municipal bonds. Consequently, year-to-year changes in the holdings of such foreign-held assets are probably quite small. We may, therefore, ignore changes resulting from transactions in U.S. State and Municipal obligations and attribute the net movements in portfolio capital to transactions in U.S. Government obligations and Corporate securities.

As to the second objection: the census of foreign investments gives us annual data on the value of foreign holdings of U.S. Corporate stocks and U.S. Government long-term obligations, from which we could compute annual changes. But since fluctuations in the market price of corporate stocks and bonds are of much greater amplitude than those in U.S. Government bonds, it would be wise to confine our attention to the latter. We may then proceed to isolate the effects of changes in foreign holdings of U.S. Government obligations from the data in Table A VI on net movements in portfolio capital and ascribe the residuary changes to movements in corporate security holdings.

The following figures show changes in foreign holdings of U.S. Government long-term obligations in 1946-50.

Foreign Holdings of U.S. Government Long-Term Bonds 1945-1950  
(millions of U.S. dollars)

<u>Value Date</u>	<u>Value</u>	<u>Change since Preceding Year</u>
1945	487	
1946	380	-97
1947	461	81
1948	470	9
1949	528	58
1950	1,470	942

Source: U.S. Balance of Payments 1946-48 & Survey of Current Business, May 1954.

Note: Figures in col. 1 for 1946 onwards are revised; that for 1945 is not; hence, the derived figure in respect of change in value in 1945/46 may not be strictly comparable to the rest of the figures in col. 2.

Before incorporating the above data in the information on portfolio investments contained in Table A VI, a final correction has to be made in order that the net flow of foreign private long-term capital into and out of the United States may be determined.

It will be seen from Table A VI that there was a certain amount of disinvestment of foreign capital in 1946-50 arising from the vesting of foreign assets held in the U.S. by the Custodian of Alien Enemy Property. The effect

of the vesting was to transfer title to the assets from the foreign holder to the U.S. Government. Such transfers of title were effected through book-keeping and did not result in any movement of foreign capital. The figures shown against "Alien Property Vesting" in Table A VI must therefore be deducted to obtain a "net-flow" statement.

The "net flow" statement as worked out below still suffers from the defect that it does wholly relate to "private-to-private" transactions. Aside from the fact that information on the ownership of foreign-held U.S. obligations is not available, a further difficulty arises from the fact that in the early post-war years prior to ERP at least two foreign countries, France and the Netherlands, requisitioned domestic holdings of U.S. securities to ensure their liquidation to meet balance of payments' difficulties. Consequently, even were ownership known, it would be impossible to say who was responsible for the sale-purchase transactions in such private long-term U.S. securities.

Foreign Transactions in U.S. Private Obligations 1946-1950  
(millions of U.S. dollars)

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
<u>Net Movements in Foreign Direct Investments (Table A VI)</u>	<u>-3.8</u>	<u>10.5</u>	<u>34.4</u>	<u>55.4</u>	<u>64.6</u>
Correction for A.P.C. Vesting (Table A VI)	0.6	9.6	1.0	-1.9	-0.2
<u>Net Flow of Direct Investment Capital</u>	<u>-3.2</u>	<u>20.1</u>	<u>35.4</u>	<u>53.5</u>	<u>64.4</u>
<u>Net Movements in Portfolio Capital (Table A VI)</u>	<u>-343.1</u>	<u>-108.6</u>	<u>-206.3</u>	<u>63.9</u>	<u>929.3</u>
Corrections for:					
Changes in U.S. Govt. Long-term Bond Holdings	97.0	-81.0	-9.0	-58.0	-942.0
APC Vestings (Table A VI)	9.4	23.2	14.0	12.0	21.7
<u>Net Flow of Foreign-held U.S. Domestic Private Securities</u>	<u>-236.7</u>	<u>-166.4</u>	<u>-201.3</u>	<u>-17.9</u>	<u>9.0</u>
<u>Net Movements in Foreign Direct and Portfolio Investments in Private U.S. Securities</u>	<u>-239.9</u>	<u>-146.3</u>	<u>-165.9</u>	<u>71.4</u>	<u>73.4</u>
<u>Net International Movements of Private Long-Term Capital between the U.S. and Foreign Countries</u>					

On the basis of our rough estimates of the flow of U.S. capital and foreign capital, the net outflow of long-term capital from the U.S. during 1946-50 would appear to be as follows:

International Movements

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
U.S. Capital	-326.4	-682.4	-717.0	-707.0	-1,187.4
Foreign Capital	-239.9	-146.3	-165.9	71.4	73.4
<u>Net Capital</u>					
<u>Outflow from US</u>	<u>-566.3</u>	<u>-828.7</u>	<u>-882.9</u>	<u>-635.6</u>	<u>-1,114.0</u>



Table A-I

U.S. Private Long Term Capital Flows as Seen from the  
Revised Balance of Payments Data  
1946-1950  
(millions of US dollars)

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
<b>A. <u>U.S. Private Capital</u></b>					
Direct Investments, <u>Net</u>	-230	-749	-721	-660	-621
New Issues	- 85	-396	-150	-118	-254
Redemptions	308	295	62	103	301
Other long-term, <u>Net</u>	- 96	52	19	- 65	-542
<u>Outflow</u>	-103	-798	-790	-740	-1116
<b>B. <u>U.S. Public Long Term Capital</u></b>					
<u>Outflow</u>	-3348	-7150	-1555	-684	-4114
Repayments	86	294	443	205	295
<u>Net Outflow</u>	-3262	-6856	-1112	-479	-119
U.S. Private Capital vis-à-vis Public Funds A. as % of B.	3.2	1.2	7.1	154.5	937.8

Negative figures indicate outflow of capital from the U.S.

Source: Balance of Payments of the U.S.  
1919-1953 Revised Series.

Table A-II

## NET MOVEMENT OF UNITED STATES PRIVATE LONG TERM CAPITAL, 1946-1950

(Millions of U.S. dollars)

Page 1

	Total					Western Europe					Canada				
	1946	1947	1948	1949	1950	1946	1947	1948	1949	1950	1946	1947	1948	1949	1950
<b><u>DIRECT INVESTMENTS</u></b>															
Inter-Company Accounts	-336.8	-618.1	-584.4	-485.5	-374.6	-19.6	-32.0	-54.7	-15.7	-54.0	-70.5	-50.2	-23.3	-64.9	-199.0
New Investments	-144.8	-182.9	-168.2	-166.9	-283.2	-2.4	-12.7	-4.8	-8.4	-66.3	-92.0	-20.8	-89.0	-16.4	-102.2
Liquidations	277.5	44.1	25.0	34.8	45.5	1.2	3.0	0.5	6.2	4.2	138.3	19.0	9.4	11.4	20.7
Insurance Companies	-25.6	8.2	6.5	-42.0	8.9	-1.0	-1.5	-3.0	-4.0	-0.7	-22.4	12.7	15.5	-30.0	-6.3
<b>TOTAL DIRECT INVESTMENTS</b>	<b>-229.7</b>	<b>-748.7</b>	<b>-721.1</b>	<b>-659.6</b>	<b>-621.2</b>	<b>-21.8</b>	<b>-43.2</b>	<b>-62.0</b>	<b>-24.9</b>	<b>-116.8</b>	<b>-46.6</b>	<b>-39.3</b>	<b>-87.4</b>	<b>-99.9</b>	<b>-286.8</b>
<b><u>PORTFOLIO</u></b>															
New Issues	-85.4	-396.1	-150.0	-118.3	-253.7	-	-18.1	-	-16.0	-	-55.8	-84.8	-150.0	-102.3	-163.2
Debt Retirement	308.4	295.2	62.0	102.9	301.3	3.2	3.3	1.7	2.6	2.6	242.1	227.1	44.4	79.5	171.7
Transactions in Outstanding Securities	-131.0	136.8	-6.9	41.9	-321.8	-44.3	-28.7	-49.0	22.3	8.6	-178.5	57.3	3.5	11.3	-336.5
Other Long Term Liabilities	35.1	-85.5	25.6	-106.9	-220.6	52.9	-48.3	27.9	-96.5	-202.7	-2.3	4.3	-1.2	-2.6	4.1
<b>TOTAL PORTFOLIO</b>	<b>127.1</b>	<b>-49.6</b>	<b>-69.3</b>	<b>-80.4</b>	<b>-494.8</b>	<b>11.8</b>	<b>-91.8</b>	<b>-19.4</b>	<b>-87.6</b>	<b>-191.5</b>	<b>5.5</b>	<b>203.9</b>	<b>-103.3</b>	<b>-14.1</b>	<b>-323.9</b>
<b>TOTAL LONGTERM PRIVATE CAPITAL</b>	<b>-102.6</b>	<b>-798.3</b>	<b>-790.4</b>	<b>-740.0</b>	<b>-1,116.0</b>	<b>-10.0</b>	<b>-135.0</b>	<b>-81.4</b>	<b>-109.5</b>	<b>-308.3</b>	<b>-41.1</b>	<b>164.6</b>	<b>-190.7</b>	<b>-114.0</b>	<b>-610.7</b>

Negative figures indicate an outflow of capital from the U.S.

Continued

Table A-II (continued)

## NET MOVEMENT OF UNITED STATES PRIVATE LONG TERM CAPITAL, 1946-1950 (CONT.)

(Millions of U.S. dollars)

Page 2

	Latin America					Other Areas					Intl. Institutions				
	1946	1947	1948	1949	1950	1946	1947	1948	1949	1950	1946	1947	1948	1949	1950
<b><u>DIRECT INVESTMENTS</u></b>															
Inter-Company Accounts	-169.4	-341.0	-307.3	-276.2	- 4.9	- 77.3	-194.9	-199.1	-128.7	-116.7	-	-	-	-	-
New Investments	- 37.8	-133.6	- 35.9	- 65.2	-50.3	- 12.6	- 15.8	- 38.5	- 76.9	- 64.4	-	-	-	-	-
Liquidations	137.9	20.2	14.2	14.0	17.1	0.1	1.9	0.9	3.2	3.5	-	-	-	-	-
Insurance Companies	- 2.0	- 2.5	- 4.0	- 5.0	- 2.0	- 0.2	- 0.5	- 2.0	- 3.0	0.1	-	-	-	-	-
<b>TOTAL DIRECT INVESTMENTS</b>	<b>- 71.3</b>	<b>-456.9</b>	<b>-333.0</b>	<b>-332.4</b>	<b>-40.1</b>	<b>- 90.0</b>	<b>-209.3</b>	<b>-238.7</b>	<b>-205.4</b>	<b>-177.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>PORTFOLIO</u></b>															
New Issues	-	-	-	-	-10.1	- 29.6	- 50.0	-	-	-	-	-243.2	-	-	- 80.4
Debt Retirement	45.7	31.1	10.0	13.8	19.1	17.4	33.7	5.9	7.0	7.9	-	-	-	-	100.0
Transactions in Outstanding Securities	88.3	52.0	30.4	5.3	21.0	3.5	56.2	8.2	3.0	8.3	-	-	-	-	- 23.2
Other Long Term Liabilities	-	- 27.9	7.6	- 1.0	- 2.9	- 15.5	- 13.6	- 1.7	- 2.9	- 20.3	-	-	-7.0	-3.9	1.2
<b>TOTAL PORTFOLIO</b>	<b>134.0</b>	<b>55.2</b>	<b>48.0</b>	<b>18.1</b>	<b>27.1</b>	<b>- 24.2</b>	<b>26.3</b>	<b>12.4</b>	<b>7.1</b>	<b>- 4.1</b>	<b>-</b>	<b>-243.2</b>	<b>-7.0</b>	<b>-3.9</b>	<b>- 2.4</b>
<b>TOTAL LONGTERM PRIVATE CAPITAL</b>	<b>62.7</b>	<b>-401.7</b>	<b>-285.0</b>	<b>-314.3</b>	<b>-13.0</b>	<b>-114.2</b>	<b>-183.0</b>	<b>-226.3</b>	<b>-198.3</b>	<b>-181.6</b>	<b>-</b>	<b>-243.2</b>	<b>-7.0</b>	<b>-3.9</b>	<b>- 2.4</b>

Source: US Department of Commerce; Balance of Payments Division.

Negative figures indicate an outflow of capital from the U.S.

Table A-III

Direct Investment Capital Movements, by Major Areas and Industries, 1946-50  
(millions of dollars; inflows to the United States (-))

Area and Year	Total	Agriculture	Mining and Smelting	Petro-leum	Manu-factur-ing	Public Utili-ties	Trade	Other Industries
<u>All areas, total:</u>								
1950.....	621	-9	87	248	192	-2	68	37
1949.....	660	10	51	448	16	20	26	89
1948.....	721	23	37	448	118	30	41	24
1947.....	749	15	36	451	107	55	58	27
1946.....	230	4	-6	186	36	-71	27	54
<u>Canada:</u>								
1950.....	287	2	29	122	88	-6	32	21
1949.....	100	1	13	33	7	-3	4	44
1948.....	88	-4	8	43	43	1	8	-11
1947.....	39	(1)	-1	36	13	-4	-1	-4
1946.....	47	(1)	1	13	-9	-2	1	43
<u>Latin American Re-publics:</u>								
1950.....	40	-7	29	-69	64	-3	18	7
1949.....	332	9	32	234	-7	23	28	14
1948.....	333	20	16	174	59	26	25	13
1947.....	457	10	36	232	65	60	34	19
1946.....	71	4	-7	104	23	-71	13	5
<u>Western European dependencies:</u>								
1950.....	14	(1)	13	-6	3	2	2	1
1949.....	29	1	3	25	1	(1)	(1)	(1)
1948.....	71	(1)	4	61	2	2	2	(1)
1947.....	55	1	-1	49	1	(1)	4	(1)
1946.....	5	-1	-1	5	(1)	(1)	1	1
<u>Western Europe:</u>								
1950.....	119	(1)	(1)	73	32	4	7	3
1949.....	36	---	(1)	12	6	(1)	-1	19
1948.....	64	---	(1)	41	5	(1)	2	16
1947.....	46	---	1	17	15	(1)	9	4
1946.....	23	---	1	8	7	(1)	4	3
<u>Other Countries:</u>								
1950.....	161	-4	16	127	6	1	9	6
1949.....	163	(1)	2	145	9	(1)	-6	12
1948.....	165	7	8	128	9	2	4	6
1947.....	152	4	2	117	12	-2	12	7
1946.....	84	1	---	56	15	2	7	3

1. Less than \$500,000.

Source: U.S. Department of Commerce,  
Office of Business Economics.

Table A-IV

Foreign Securities: Purchases and Sales by Foreigners of Long Term Foreign Securities owned in the US 1946-50

(millions of dollars)

	<u>Foreign Stocks</u>			<u>Foreign Bonds</u>			<u>Total</u>	<u>Total</u>	<u>Net Purchases/Sales (-)</u>
	<u>Purchases</u>	<u>Sales (-)</u>	<u>Net Purchases/Sales (-)</u>	<u>Purchases</u>	<u>Sales (-)</u>	<u>Net Purchases/Sales (-)</u>	<u>Purchases</u>	<u>Sales (-)</u>	
1946	65.2	-65.6	-0.4	755.9	-490.4	265.5	821.2	556.1	265.1
1947	57.1	-42.6	14.6	658.7	-634.3	24.5	715.9	676.8	39.0
1948	81.7	-96.7	-15.0	211.6	-291.4	-79.8	293.3	388.2	-94.8
1949	88.8	-70.8	18.0	321.2	-311.5	9.8	410.1	382.3	27.8
1950	173.8	-198.2	-24.4	589.2	-710.2	-121.0	763.0	908.4	-145.4

Source: Treasury Bulletin

Negative figures indicate a net outflow of capital from the U.S.

N.B. Above figures do not include transactions in the obligations of International Institutions.

Table A-V

Net Purchases by Foreigners of Long Term Foreign Securities owned in the U.S.

(millions of dollars)

	<u>Intern. Institutions</u>	<u>Europe</u>	<u>Canada</u>	<u>Latin America</u>	<u>Asia</u>	<u>All Other</u>	<u>Total</u>
1946	-	-32.6	187.6	131.3	0.3	-21.4	265.1
1947	-249.3	-34.4	205.2	89.2	0.5	27.8	288.3
1948	*	-43.4	-102.2	40.7	1.6	8.4	-94.9
1949	-16.0	30.8	-10.6	20.2	0.8	2.6	43.8
1950	-3.6	13.4	-190.0	29.8	1.0	3.9	-141.8

Negative figures indicate a net outflow of capital from the U.S.

\* less than \$500,000

Source: Treasury Bulletin

Table A VI

INTERNATIONAL MOVEMENTS OF FOREIGN LONG TERM CAPITAL INTO AND FROM THE UNITED STATES

1946 - 1950  
(Millions of U.S. dollars)

page 1

	<u>Total</u>					<u>Western Europe</u>				
	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
<u>DIRECT INVESTMENTS</u>										
Inter-Company Accounts	—	- 5.0	8.2	4.9	3.1	—	2.5	- 1.5	- 4.2	4.9
New Investments	—	3.9	2.2	0.1	24.6	—	0.5	1.7	0.1	3.8
Liquidations	—	- 0.5	- 1.9	- 4.1	- 1.9	—	—	- 0.9	—	—
Insurance Companies	- 3.2	21.7	26.9	52.6	38.6	- 6.7	14.0	18.5	41.6	24.0
Alien Property Vesting	- 0.6	- 9.6	- 1.0	1.9	0.2	- 0.6	- 9.6	- 0.9	1.9	0.2
<u>TOTAL DIRECT INVESTMENTS</u>	<u>- 3.8</u>	<u>10.5</u>	<u>34.4</u>	<u>55.4</u>	<u>64.6</u>	<u>- 7.3</u>	<u>7.4</u>	<u>16.9</u>	<u>39.4</u>	<u>32.9</u>
<u>PORTFOLIO</u>										
Net Transactions in Private *)										
Domestic Securities	-334.2	- 89.0	-188.0	75.2	944.3	- 96.1	-168.3	-189.2	36.3	335.4
Net Change in Banking Liabilities over 1 year	0.5	3.6	- 4.3	0.7	6.7	0.3	0.6	- 0.8	0.6	2.6
Net Change in Other Long Term Liabilities	—	—	—	—	—	—	—	—	—	—
Alien Property Vesting	- 9.4	- 23.2	- 14.0	- 12.0	- 21.7	- 9.4	- 23.2	- 13.4	- 10.4	- 21.4
<u>TOTAL PORTFOLIO INVESTMENTS</u>	<u>-343.1</u>	<u>-108.6</u>	<u>-206.3</u>	<u>63.9</u>	<u>929.3</u>	<u>-105.2</u>	<u>-190.9</u>	<u>-203.4</u>	<u>26.5</u>	<u>316.6</u>
<u>TOTAL LONG TERM FOREIGN CAPITAL</u>	<u>-346.9</u>	<u>- 98.1</u>	<u>-171.9</u>	<u>119.3</u>	<u>993.9</u>	<u>-112.5</u>	<u>-183.5</u>	<u>-186.5</u>	<u>65.9</u>	<u>349.5</u>

Negative figures indicate outflow of funds from the U.S.

Continued

\*) Transactions in U.S. Government bonds are included in figures for 1946-49. In 1950 such transactions resulted in net purchases of \$941.5 million accounting for almost the whole amount of net purchases of all securities amounting to \$944.3 million.

Table A VI (continued)

INTERNATIONAL MOVEMENTS OF FOREIGN LONG TERM CAPITAL INTO AND FROM THE UNITED STATES

1946 - 1950  
(Millions of U.S. dollars)

page 2

	<u>Canada</u>					<u>Latin America</u>				
	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
<u>DIRECT INVESTMENTS</u>										
Inter-Company Accounts	--	- 7.7	8.3	7.5	- 2.4	--	- 0.2	1.4	1.6	0.6
New Investments	--	--	0.5	--	20.8	--	--	--	--	--
Liquidations	--	- 0.5	- 1.0	- 0.7	- 1.0	--	--	--	--	- 0.9
Insurance Companies	3.2	5.0	3.9	8.6	13.8	--	--	--	--	--
Alien Property Vesting	--	--	--	--	--	--	--	--	--	--
<u>TOTAL DIRECT INVESTMENTS</u>	<u>3.2</u>	<u>- 3.2</u>	<u>11.7</u>	<u>15.4</u>	<u>31.2</u>	<u>--</u>	<u>- 0.2</u>	<u>1.4</u>	<u>1.6</u>	<u>- 0.3</u>
<u>PORTFOLIO</u>										
Net Transactions in Private Domestic Securities	- 16.4	3.2	11.8	- 49.0	458.6	6.2	- 3.5	9.1	2.1	29.4
Net Change in Banking Liabilities over 1 year	--	--	--	--	0.2	0.1	- 0.2	0.1	- 0.1	0.4
Net Change in other Long Term Liabilities	--	--	--	--	--	--	--	--	--	--
Alien Property Vesting	--	--	--	--	--	--	--	--	--	--
<u>TOTAL PORTFOLIO INVESTMENTS</u>	<u>- 16.4</u>	<u>3.2</u>	<u>11.8</u>	<u>- 49.0</u>	<u>458.8</u>	<u>6.3</u>	<u>- 3.7</u>	<u>9.2</u>	<u>2.0</u>	<u>29.8</u>
<u>TOTAL LONG TERM FOREIGN CAPITAL</u>	<u>- 13.2</u>	<u>--</u>	<u>23.5</u>	<u>- 33.6</u>	<u>490.0</u>	<u>6.3</u>	<u>- 3.9</u>	<u>10.6</u>	<u>3.6</u>	<u>29.5</u>

Negative figures indicate outflow of funds from the U.S.

Continued



Table A VI (continued)

INTERNATIONAL MOVEMENTS OF FOREIGN LONG TERM CAPITAL INTO AND FROM THE UNITED STATES

1946 - 1950  
(Millions of U.S. dollars)

page 3

	<u>Other Areas</u>					<u>International Institutions</u>				
	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
<u>DIRECT INVESTMENTS</u>										
Inter-Company Accounts	--	0.4	--	--	--	--	--	--	--	--
New Investments	--	3.4	--	--	--	--	--	--	--	--
Liquidations	--	--	--	- 3.4	--	--	--	--	--	--
Insurance Companies	0.3	2.7	4.5	2.4	0.8	--	--	--	--	--
Alien Property Vesting	--	--	- 0.1	--	--	--	--	--	--	--
<u>TOTAL DIRECT INVESTMENTS</u>	<u>0.3</u>	<u>6.5</u>	<u>4.4</u>	<u>- 1.0</u>	<u>0.8</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>PORTFOLIO</u>										
Net Transactions in Private Domestic Securities	-227.9	5.1	- 27.2	- 1.3	- 0.3	--	74.5	7.5	87.1	121.2
Net Change in Banking Liabilities over 1 year	0.1	3.2	- 3.6	0.2	3.5	--	--	--	--	--
Net Change in other Long Term Liabilities	--	--	--	--	--	--	--	--	--	--
Alien Property Vesting	--	--	- 0.6	- 1.6	- 0.3	--	--	--	--	--
<u>TOTAL PORTFOLIO INVESTMENTS</u>	<u>-227.8</u>	<u>8.3</u>	<u>- 31.4</u>	<u>- 2.7</u>	<u>2.9</u>	<u>--</u>	<u>74.5</u>	<u>7.5</u>	<u>87.1</u>	<u>121.2</u>
<u>TOTAL LONG TERM FOREIGN CAPITAL</u>	<u>-227.5</u>	<u>14.8</u>	<u>- 27.0</u>	<u>- 3.7</u>	<u>3.7</u>	<u>--</u>	<u>74.5</u>	<u>7.5</u>	<u>87.1</u>	<u>121.2</u>

Negative figures indicate outflow of funds from the U.S.

Source: U.S. Department of Commerce - Balance of Payments Division.

TableAVII

Purchases and Sales by Foreigners of Long Term Domestic Securities (\$ million)

	<u>U.S. Govt. Bonds &amp; Notes</u> <sup>1/</sup>			<u>Corporate Bonds &amp; Stocks</u> <sup>2/</sup>			<u>Total</u>	<u>Total</u>	<u>Net</u>
	<u>Purchases</u>	<u>Sales</u> (-)	<u>Net</u> <u>Purchases/Sales</u> (-)	<u>Purchases</u>	<u>Sales</u> (-)	<u>Net</u> <u>Purchases/Sales</u> (-)			
1946	414.5	684.2	-269.7	367.6	432.1	-64.5	782.1	1,116.3	-334.2
1947	344.8	283.3	61.5	226.1	376.7	-150.6	570.9	659.9	- 89.1
1948	282.4	330.3	-47.9	369.7	514.1	-144.3	652.2	844.4	-192.2
1949	430.0	333.6	96.4	354.1	375.3	-21.2	784.1	708.9	75.2
1950	1236.4	294.3 <sup>3/</sup>	942.1	774.7	772.3	2.4	2,011.1	1,066.6	944.4

<sup>1/</sup> Through 1949 includes transactions in corporate bonds.

<sup>2/</sup> Through 1949 represents transactions in corporate stocks only.

<sup>3/</sup> Includes \$493 million by Canada, \$199 million by France and \$118 million by International Institutions.

Negative figures indicate net sales or outflow of funds.

Source: U. S. Treasury Bulletin

TableAVIII

Net Purchases by Foreigners of Long Term U.S. Securities

(millions of dollars)

	<u>Intern. Organizations</u> (1)	<u>Europe</u> (2)	<u>Canada</u> (3)	<u>Latin America</u> (4)	<u>Asia</u> (5)	<u>All Other</u> (6)	<u>Total</u> <u>Cols. 2 to 6</u>
1946	-	-98.6	-16.4	6.3	-244.5	-1.0	-334.2
1947	74.5	-175.5	3.2	-3.5	10.0	2.2	-163.6
1948	7.6	-190.4	7.5	10.2	-23.3	-3.9	-199.8
1949	87.0	36.5	-49.0	2.5	-2.1	0.2	-11.8
1950	121.2	347.5	458.2	30.1	-15.3	2.7	823.2

Negative figures indicate net sales or outflow of funds

Source: U.S. Treasury Bulletin

**Table B-1**

Movement of United States Direct Investment Capital 1946-50  
(\$ million)

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
<u>All Industries Net</u>	<u>-183</u>	<u>-724</u>	<u>-684</u>	<u>-786</u>	<u>-702</u>
Receipts	306	85	31	25	16
Payments	-489	-809	-715	-811	-718
<u>Manufacturing Net</u>	<u>- 22</u>	<u>- 96</u>	<u>- 70</u>	<u>- 10</u>	<u>-118</u>
Receipts	68	12	7	9	4
Payments	- 90	-108	- 77	- 19	-122
<u>Distribution Net</u>	<u>- 24</u>	<u>- 54</u>	<u>- 49</u>	<u>- 16</u>	<u>- 59</u>
Receipts	*	5	*	*	-
Payments	- 24	- 59	- 49	- 16	- 59
<u>Agriculture Net</u>	<u>- 7</u>	<u>- 16</u>	<u>- 29</u>	<u> 3</u>	<u> 4</u>
Receipts	8	9	8	3	8
Payments	- 15	- 25	- 37	-	- 4
<u>Mining and Smelting Net</u>	<u> 13</u>	<u>- 29</u>	<u>- 27</u>	<u>- 53</u>	<u>- 68</u>
Receipts	8	10	10	4	2
Payments	5	- 39	- 37	- 57	- 70
<u>Petroleum Net</u>	<u>-170</u>	<u>-489</u>	<u>-488</u>	<u>-617</u>	<u>-365</u>
Receipts	41	1	1	*	1
Payments	-211	-490	-489	-617	-366
<u>Public Utilities Net</u>	<u> 84</u>	<u> 13</u>	<u>- 12</u>	<u>- 11</u>	<u>- 16</u>
Receipts	181	41	3	9	1
Payments	- 97	- 28	- 15	- 20	- 17
<u>Miscellaneous Net</u>	<u>- 57</u>	<u>- 53</u>	<u>- 9</u>	<u>- 82</u>	<u>- 80</u>
Receipts	*	7	2	*	*
Payments	- 57	- 60	- 11	- 82	- 80

\* less than \$500,000

Source: Balance of Payments 1949-51  
Supplement to the U.S. Department of Commerce's  
Survey of Current Business.

Table B-II

International Movements of Private Long Term U.S. Capital between  
the U.S. and the Outside World, 1946-50

(millions of dollars)

	<u>All Areas</u>	<u>OEEC Countries</u>	<u>OEEC De- pendencies</u>	<u>Other Europe</u>	<u>Canada</u>	<u>Latin American Republics</u>	<u>All Other Countr.</u>	<u>Intern. Institu- tions</u>
<u>1946</u>								
Receipts	1,064	81	17	24	438	471	33	-
Payments	1,123	104	22	3	474	395	125	-
Net	-59	-23	-5	21	-36	76	-92	-
<u>1947</u>								
Receipts	659	25	9	10	339	170	106	-
Payments	1,469	164	62	26	184	557	233	243
Net	-810	-139	-53	-16	155	-387	-127	-243
<u>1948</u>								
Receipts	809	110	31	10	201	390	67	-
Payments	1,557	172	100	15	382	662	219	7
Net	-748	-62	-69	-5	-181	-272	-152	-7
<u>1949</u>								
Receipts	770	140	22	24	204	257	123	-
Payments	1,556	172	51	27	337	667	292	20
Net	-796	-32	-29	-3	-133	-410	-169	-20
<u>1950</u>								
Receipts	1,016	108	33	14	272	412	75	102
Payments	2,184	338	42	19	862	576	243	104
Net	-1,168	-230	-9	-5	-590	-164	-168	-2

Source: Balance of Payments 1949-51  
Supplement to the Survey of  
Current Business  
U.S. Department of Commerce

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IN REPLY  
PLEASE QUOTE NO. ECA 170/2/010

30 January 1956

Dear Mr. Carlson,

*filed by Mr. Carlson*

In reply to your letter of 26 January, I shall be glad to arrange for Mr. Cristaldo to be interviewed by a few people in the Bureau of Economic Affairs. Please ask him to telephone me when he arrives in New York, at Plaza 4-1234, Extension 2237. }

I am very much interested in the project you are undertaking and should like to discuss it with you in detail since it relates to some work being projected here. This work will begin intensively around April, but I shall write you shortly indicating what reference material I know of in this field. If you are in New York in the near future I should be very happy to see you about this matter.

Sincerely yours,

*Walter A. Chudson*

Walter A. Chudson  
Chief, Under-developed Areas Section  
Bureau of Economic Affairs

Mr. Reynold E. Carlson  
International Bank for Reconstruction  
and Development  
1818 H Street, N. W.  
Washington 25, D. C.

*Card March 12*

1955

1955

The copy of your letter of 10 January 1955 is being  
forwarded to the appropriate authorities for their  
consideration. It is in the hands of the  
relevant authorities in New York at this time.

I am sorry that I cannot give you a more  
definite answer at this time. I am sure  
that you will understand the need for  
caution in this matter. I will be  
in touch with you again as soon as  
I have more information.

Sincerely yours,

Director, International Bank for  
Reconstruction and Development

Director, International Bank for  
Reconstruction and Development  
Washington, D.C.

JAN 21 1 50 PM 1955

RECEIVED  
INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

January 23, 1956

Dear Henry:

I have your further letters of December 28 and January 18 regarding our studies on private foreign investment. There is not much that I can add at the moment to my letter of December 16 regarding the nature of our studies.

I note, however, that your recent letters focus once more upon the allegations which have been made that foreign private investment imposes a drain upon the exchange reserves of the host country. This is indeed, as you say, a specious and unsound argument. It was the subject of Mr. Gerald Alter's letter to you dated September 19 in which he provided you with a series of points which might be made in refutation. I also recall a very interesting statement on this subject prepared by Mr. Balgooyen of the American and Foreign Power Company which was published in the Journal of Commerce for March 15, 1955. I am sure that our studies will in due course provide additional material bearing on this question, but it is scarcely necessary to await their completion in order to demonstrate the complete lack of merit in the allegations which have been made.

I do have this suggestion to make. I will see if an opportunity cannot be found at some early date to include in a speech delivered by Bob Garner or myself some reference to this controversy. It may be that in this manner I can give you the "sober statement" which you said in your letter of December 28 you would find useful.

With best regards,

Sincerely yours,

*15/9/56*

Eugene R. Black

Mr. Henry F. Holland  
Assistant Secretary of State  
Bureau of Inter-American Affairs  
New State Department Building, Room 4029  
Washington, D.C.

JBKnapp/eod

*MM*  
cc -- Messrs. Garner, Iliff, Graves, Carlson



ROUTING SLIP

Date

Jan. 19 '56

OFFICE OF THE PRESIDENT  
AND  
OFFICE OF THE VICE PRESIDENT

NAME

ROOM NO.

Mr. Knapp

Action

Note and File

Approval

Note and Return

Comment

Prepare Reply

Full Report

Previous Papers

Information

Recommendation

Initial

Signature

Remarks

Mr Knapp: -  
How what?  
ERMS

DEPARTMENT OF STATE  
WASHINGTON

JAN 19 REC'D



January 18 1956

Dear Gene:

As you know I continue to be very much interested in the International Bank's program for gathering data, case studies and ideas on the benefits of private investment in Latin America, and I refer to my letter to you dated December 28, 1955.

In that letter I outlined an argument against United States investment which, although unsound, often rises to trouble us, and I am in hope that the Bank's study might provide us with an effective answer. I am wondering if your study is far enough along to tell whether something useful to us here in the Department of State will come out of it.

I am very much interested in moving ahead quickly to do everything possible to promote the flow of private capital into Latin America, and I will appreciate hearing further from you soon about your study.

With best regards, I am

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Henry F. Holland".

Henry F. Holland  
Assistant Secretary

The Honorable  
Eugene R. Black, President,  
International Bank for  
Reconstruction and Development.

Ch. January 23

DEPARTMENT OF STATE  
WASHINGTON



DEC 30 REC'D

December 28, 1955

Dear Gene:

Thank you for your letter of December 16th outlining to me the re-  
search program that the Bank has undertaken.

Our problem here arises from the demagogic argument that foreign  
dollar investment prejudices the economy of the host country because  
the drain upon the dollar reserves of the host country arising from  
remission of dividends to the foreign investor will inevitably, slowly  
dissipate the dollar reserves of the host country. The argument is  
obviously specious and unsound. Nevertheless, it is eagerly accepted  
by minds which are predisposed against the United States, or against  
foreign investments, or simply against private enterprise.

If we had some sober statement from the International Bank  
squarely meeting and answering this argument, we could use that state-  
ment quite effectively.

After reading your letter of December 16th, I am not quite sure  
whether the result of your study will or will not meet our need de-  
fined above. At the risk of "wearing out my welcome" I am going to  
ask that you be kind enough to drop me a line giving me your opinion  
as to whether the result of the Bank's study will meet our need here in  
the Department of State.

With warmest regards and best wishes, I am

Sincerely,

Henry F. Holland

The Honorable  
Eugene R. Black,  
President, International Bank for  
Reconstruction and Development.

DEC 30 10 22 AM '55

RECEIVED  
THE DEPT  
OF STATE  
WASHINGTON

Act. January 23

DEPARTMENT OF STATE  
WASHINGTON



DEC 30 REC'D

December 28, 1955

Dear Gene:

Thank you for your letter of December 16th outlining to me the re-  
search program that the Bank has undertaken.

Our problem here arises from the demographic argument that foreign  
dollar investment prejudices the economy of the host country because  
the drain upon the dollar reserves of the host country arising from  
remission of dividends to the foreign investor will inevitably, slowly  
dissipate the dollar reserves of the host country. The argument is  
obviously specious and unsound. Nevertheless, it is eagerly accepted  
by minds which are predisposed against the United States, or against  
foreign investments, or simply against private enterprise.

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as to whether the result of the Bank's study will meet our need here in  
the Department of State.

With warmest regards and best wishes, I am

Sincerely,

Henry T. Holland

The Honorable

Eugene R. Black,

President, International Bank for

Reconstruction and Development.

DEC 29 9 55 AM 1955

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INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT



# Record Removal Notice

<b>File Title</b> Operational - Investments - Promotion and Protection of Private and Foreign Investment - Correspondence - Volume 4		<b>Barcode No.</b>  30357187		
<b>Document Date</b> January 18, 1956	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To: Mr. Eugene Black From: A.N. Overby, US Executive Director				
<b>Subject / Title</b> [Private enterprise and investment in less developed countries]				
<b>Exception(s)</b>				
<b>Additional Comments</b> Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td><b>Withdrawn by</b> Kim Brenner-Delp</td><td><b>Date</b> August 16, 2023</td></tr></table>	<b>Withdrawn by</b> Kim Brenner-Delp	<b>Date</b> August 16, 2023
<b>Withdrawn by</b> Kim Brenner-Delp	<b>Date</b> August 16, 2023			

December 16, 1955

Dear Henry:

I have your letter of December 9 inquiring about the prospects for our completing a report on the benefits of United States dollar investments in Latin American countries.

You are aware of how fully we share your interest in this subject. Also, with the advent in the near future of the IFC, we too want to have as much information available as possible regarding the flow of international private investment and the accomplishments which it is making or might make.

For this purpose I am happy to inform you that we have instituted a modest research program along the following lines:

(a) We are starting by collecting all of the available figures on the flow of private international investment, which as you know is quite a job in itself, especially for investment by countries other than the United States.

(b) At the same time we are assembling case studies of particular investment activities; here the series being put out by the National Planning Association is of particular interest and importance.

(c) We are making a special effort to collect data regarding foreign investment in Canada which always seems to offer a striking example of the constructive influence of foreign investment on economic development. There is a lot of material on this subject but we will probably have to produce our own synthesis and an appraisal of it.

(d) We are looking forward with great interest to the fruits of the proposed survey by the Department of Commerce regarding the contribution of United States direct-investment operations to the Latin American countries. No doubt you are familiar with the questionnaire which is being prepared for this purpose and which at the moment is awaiting the final approval of the Bureau of the Budget.

(e) We are collecting thoughts on "why private investment is a good thing" for the purposes of articles, speechmaking, etc.

Aut. December 28

Where all this ends up in terms of a "report on the benefits of United States dollar investment in Latin American countries," I frankly don't know. If what you have in mind is a specific quantitative appraisal of these benefits, we do not have the data available at the present time and we do not have the time or resources to make such an inquiry. On the other hand, the Department of Commerce survey, if it is finally undertaken, will provide a great deal of new material in this field and might enable us to undertake something of the sort. If what you have in mind is a more qualitative sort of article directed toward "selling" the Latin Americans on the merits of private investment, this is something which we do constantly in the course of our regular work in the area, and it has been a theme which has run through many of the recent speeches which I and other officers of the Bank have been delivering in this country and elsewhere. However, we have no concrete plans at present for the production of a specific report of this kind.

Sincerely yours,

*E. R. Black*

Eugene R. Black

Mr. Henry F. Holland  
Assistant Secretary of State  
Bureau of Inter-American Affairs  
Department of State  
New State Department Building  
Washington, D. C.

cc: Mr. Demuth  
Mr. Rist  
Dr. Carlson



DEPARTMENT OF STATE  
WASHINGTON

DEC 12 REC'D

December 9, 1955

Dear Gene:

I hope that at your convenience you can drop me a line letting me know the prospects for completion of the report on the benefits of United States dollar investments in Latin American countries. You will recall that we discussed this when Sam Waugh and I had lunch with you recently.

With best wishes, I am

Sincerely,

Henry F. Holland

The Honorable  
Eugene Black, President,  
International Bank for Reconstruction and  
Development,  
1818 H Street, N.W.,  
Washington, D.C.

DEC 15 2 03 PM 1955

Act. December 16



DEPARTMENT OF STATE  
WASHINGTON



December 9, 1955

Dear Gene:

I hope that at your convenience you can drop me a line letting me know the prospects for completion of the report on the benefits of United States dollar investments in Latin American countries. You'll recall that we discussed this when Sam Wagh and I had lunch with you recently.

With best wishes, I am

Sincerely,

Henry F. Holland

The Honorable  
Lucius Black, President  
International Bank for Reconstruction and  
Development  
1818 H Street, N.W.  
Washington, D.C.

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NATIONAL BANK  
FOR PROMOTION AND DEVELOPMENT  
DEC 12 3 08 PM 1955

## OFFICE MEMORANDUM

TO: Files

DATE: August 25, 1955

FROM: J. Burke Knapp *JBK*

SUBJECT: Possible Bank Study on the Merits of Private International Investment

I had a brief talk with Mr. Garner and Mr. Sommers today regarding the question of the possible study to be prepared by the Bank regarding the merits of private international investment. I reported on the inconclusive discussions which I had had with Mr. Alter on this subject and pointed out that some new indication of the possible direction of the Bank's study might be given by the discussions which would take place at the forthcoming ECLA meeting in Bogotá. Mr. Garner and Mr. Sommers thereupon agreed with my recommendation that we discuss this subject again after the Annual Meeting and in the light of Dr. Larsen's report on the proceedings at the ECLA Meeting. Dr. Larsen is already informed about our interest in this field and I am also sending him a copy of this memorandum.

cc -- Mr. Black  
Mr. Garner  
Mr. Sommers  
Mr. Alter  
Dr. Larsen (in Bogotá)  
Mr. Demuth

JBKnapp/eod

Mr. Richard H. Demuth

October 18, 1955

S. Hartz Rasmussen

*SHR*

IBRD Clearing House for legislation  
affecting private foreign investment.

During our conversation yesterday I referred to a note which I wrote in 1950 on the subject of an IBRD clearing-house for legislation affecting private foreign investment. As mentioned the note remained in form of a first and incomplete draft. Please find a copy attached.

Encl.

An IBRD Clearing-House for Legislation  
Affecting Private Foreign Investment.

I

In the Articles of Agreement the encouragement of private foreign investment is referred to as one of the purposes of the Bank. The specific as well as the general obligations of the Bank in this field are stated in Article I, paragraphs II and III.

One of the principal obstacles to private foreign investment is to be found not only in the often unfavorable national legal status governing such investments, but also in the difficulties which the foreign private investor faces in his attempts to obtain reliable, up-to-date and complete information on the subject. The collection and dissemination by the Bank of legislation affecting private foreign investment in its member countries and their non-selfgoverning territories would therefore appear to fall inside the Articles of Agreement. Also such a task could more appropriately be undertaken by the Bank than by any other existing international organization.

Properly performed the collection and publication of this material would accomplish several purposes:

- (a) It would encourage investment by making the legal aspects readily available to all interested parties.
- (b) The publication of these data would focus attention on the legal status of foreign investment in the countries concerned and might activate and influence new legislation in this field.
- (c) Through this publication the Bank would provide the basic documentation for concerted international action on matters in which the Bank has a vital concern.
- (d) The publication would make the Bank known to a wider public interested in the problems of investment and at the same time increase the Bank's prestige by setting it up as the international clearing-house for such information.

II

The methods which might be followed in the preparation of a publication of this nature and the form the publication may take are discussed briefly below.

A letter from the President of the Bank would be sent to the central bank or other appropriate authority of each member country explaining the

project which the Bank proposes to undertake in accordance with the aims and purposes of the Bank as set out in the Articles of Agreement. In each case the central bank would be requested to supply the texts of such national laws, decrees and regulations which affect private foreign investment in that country and its non-selfgoverning territories, and which at present are in force. In addition the central bank would be requested to supply in the future, and as soon as they appear, the texts of such amendments and new legislation on the subject which may be passed.

The International Bank would publish this material in a loose-leaf publication, somewhat on the lines of the Bank for International Settlements' publications on foreign exchange regulations and gold legislation. Each volume would comprise the countries of a certain region and be divided in sections, each section containing the complete texts from one country in the original language and an English translation wherever necessary. Once the basic material from a country had been received it could be edited and published immediately. If much time should be involved in translation into English, the English version could be issued in due course. Subsequent amendments and new legislation would be added as they appear and are received.

The loose-leaf feature for a publication of this nature would be indispensable in order to keep it up-to-date in an economical and efficient manner. The preparation of the basic material country by country would prevent a situation from developing in which deadlines had to be met.

The cost of issuing the publication would mainly be that of editing, translating, printing and distribution. Apart from translation, printing and distribution I should think that an editor and a secretary would suffice to handle the work. When needed the editor should of course have access to advice from the competent officials of the Bank.

Since numerous investment banks, commercial enterprises, economic research organizations and libraries would be eager to acquire a service of this nature, the publication might be put on sale at a price which would cover the expenses incurred.

### III

In recent years a number of studies relating to the legal status of foreign investment have been made, most of them on the Latin American countries. The Inter-American Development Commission until its termination on December 31, 1948 and from that time the Inter-American Social and Economic Council as well as the United Nations' Economic Commission for Latin America have published such studies for most of the Latin American countries and have others under preparation. Also the United States Office of International Trade plans to publish in the future, from time to time, studies containing data on this subject. However, the work done in the past and planned for the

future has had its usefulness limited by the fact that it has been conceived as monographs, general surveys and studies which do not reproduce the actual legislative texts and rarely, if ever, are up-to-date. Also such studies of comparatively recent date are only available for a relatively minor number of countries.

Should the Bank consider undertaking the project described above it would obviously be necessary to examine several of its aspects more closely and consultation and coordination with the agencies performing work in this field would be required.



TREASURY DEPARTMENT

WASHINGTON

ASSISTANT SECRETARY

*Mr. DeMuth*

August 23, 1955

Dear Bob:

With reference to our discussion the other day about private investment, you and your associates may be interested -- in case you have not yet seen it -- in the enclosed Report of Activities of the NAC, Section II, on U. S. private investment abroad, from pages 2-8, especially pages 4 and 5.

Sincerely yours,

*A. N. Overby*

A. N. Overby

Mr. Robert Garner  
Vice President  
International Bank for  
Reconstruction and Development  
1818 H Street, N. W.  
Washington, D. C.

CROSS REFERENCE SHEET

COMMUNICATION: Letter and attachment (Acknowledged on June 3 by Mr Demuth)

DATED: May 27, 1955

TO: Mr R.H. Demuth

FROM: Mr Charles J. Symington  
230 Park Avenue  
New York 17, N.Y.

SUMMARY: Sends the transcript of the New York-Manila press conference.

FILED UNDER: Alphabetical - N.y.

CROSS REFERENCE: Private Investment



CROSS REFERENCE SHEET

COMMUNICATION: Letter

Acknowledged February 14, 1955

DATED: January 6, 1955

TO: Mr. Eugene R. Black

FROM: Count Mario Pinci, 21 avenue George V, Paris.

SUMMARY: Referring to my November 19th. letter. Management of this Bank would now be disposed to discuss the creation in Switzerland of a European Private Investment Bank.

FILED UNDER: Italy - Inquiries

CROSS REFERENCE: Private Investment ✓  
PINCI, COUNT MARIO

CROSS REFERENCE SHEET

COMMUNICATION: Letter  
DATED: December 6, 1954  
TO: Mr. Demuth  
  
FROM: Mr. Courtney C. Brown  
Dean  
Columbia University  
New York

FILED UNDER: IFC General

SUMMARY: Enclosing copy of "the original manuscript that describes a proposed International Development Corporation that may be somewhat different from that now contemplated!"

JOINT WWF-NPA STUDY GROUP  
Working Paper No. 13  
March 26, 1953

PRIVATE FOREIGN INVESTMENT  
by  
Courtney C. Brown

CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: November 19, 1954

TO: Mr. Eugene R. Black

FROM: Count Mario Pinci, 21 Avenue George V, Paris.

SUMMARY: Regarding my suggestion of creating a European Bank for private investment.

FILED UNDER: Italy - Inquiries

CROSS REFERENCE: Private Investment ✓  
PINCI, COUNT MARIO

August 2, 1954


Dear Walter:

Thank you for your letters of July 19, 20 and 22  
about the O.E.E.C. report on Private U. S. Investment  
in Member Countries and Overseas Territories.

This still looks like a good report, and we have  
no further comments to make.

Best wishes.

Yours sincerely,

  
Martin M. Rosen  
Assistant Director of Operations  
Europe, Africa and Australasia

Mr. Walter Hill  
International Bank for  
Reconstruction and Development  
Paris, France

RFSkillings:mc

*Private Invest.*

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON 25, D. C.

TELEPHONE BABYLONE 17-10

CABLE ADDRESS: INTBAFRAD PARIS

PLEASE REPLY TO  
PARIS OFFICE: 67, RUE DE LILLE  
PARIS (7<sup>e</sup>) - FRANCE

July 22, 1954

*Wm Shillings*

Mr. Martin M. Rosen  
Assistant Director of Operations  
Europe, Africa and Australasia  
International Bank for  
Reconstruction and Development  
Washington 25, D.C.

Dear Martin:

Mr. Butcher attended the meeting on Tuesday, July 20, at which Working Party No. 6 of the Economic Committee of OEEC discussed the second revision of the draft report on Private United States Investment in Member Countries and Overseas Territories. (I sent you a copy of this draft with my letter of July 20)

Very few changes were made. The Working Party attaches considerable importance to the tax incentives mentioned on page 56, and as there was again some doubt about what tax holidays South Africa was granting, Mr. Croombe, who represented the United Kingdom, undertook to take this matter up with the office of the South African High Commissioner in London, and then to re-write the paragraph. The draft, with some corrigenda, will now go to the Economic Committee and then to the Executive Committee; the Working Party expects that a new draft will eventually be submitted to the Council, with the recommendation that it should be published.

With best wishes,

Yours sincerely,

*Walter*

Walter Hill  
Special Representative in Europe

Encl.

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JUL 23 1954  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
PARIS

*ack. Aug. 2/54*

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON 25, D. C.

TELEPHONE BABYLONE 17-10

CABLE ADDRESS: INTBFRAD PARIS

PARIS OFFICE: 87, RUE DE LILLE  
PARIS (7<sup>e</sup>) - FRANCE

PLEASE REPLY TO

July 25, 1951

Mr. Martin M. Rosen  
Assistant Director of Operations  
Europe, Africa and Australasia  
International Bank for  
Reconstruction and Development  
Washington 25, D.C.

*Mr. Rosen*

Dear Martin:

Mr. Butcher attended the meeting on Tuesday, July 20, at which Working Party No. 6 of the Economic Committee of OEEC discussed the second revision of the draft report on private United States Investment in Member Countries and Overseas Territories. (I sent you a copy of this draft with my letter of July 20)

Very few changes were made. The Working Party attaches considerable importance to the tax incentives mentioned on page 26, and as there was again some doubt about what tax holidays South Africa was granting, Mr. Crombe, who represented the United Kingdom, undertook to take this matter up with the office of the South African High Commissioner in London, and then to re-write the paragraph. The draft, with some corrigenda, will now go to the Economic Committee and then to the Executive Committee; the Working Party expects that a new draft will eventually be submitted to the Council, with the recommendation that it should be published.

With best wishes,

Yours sincerely,

*Walter Hill*

Walter Hill  
Special Representative in Europe

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INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

1951

*July 25, 1951*

CROSS REFERENCE SHEET

COMMUNICATION: Memorandum

DATED: July 27, 1954

TO: Mr. Rucinski

FROM: Mr. Moffat

SUMMARY:

Offer made to Indian Embassy on behalf of A.E.G. re  
Private Medium Term Credit for Development. A packaged-  
design-engineering-management-credit proposal.

FILED UNDER: Projects: Medium Credit

CROSS REFERENCE:

India: General Negotiations  
Investments: Private Investments  
Loans - Procurement

July 22, 1954

Charles Abbott & Associates, Inc.  
29 West 74th Street  
New York 23, N. Y.

Gentlemen:

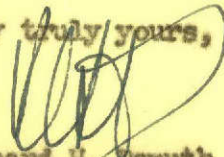
Mr. Black has asked me to reply to your letter of May 20. ✓

It is not possible to give precise answers to the general questions you ask at the end of your letter. Under its charter, the Bank can make loans to private enterprises only for specific projects and then only with the guarantee of the government where the project is located. Accordingly, loan applications from private corporations can be considered only if the government concerned indicates that it is willing to guarantee the requested loan. If such an indication is forthcoming, Bank action will depend upon its assessment of the creditworthiness of the country concerned, the technical and economic soundness of the project, the capacity of the proposed management, and many similar considerations.

If a loan should be granted, the interest rate would depend upon the term of the loan and the estimated cost of money to the International Bank at the time of the loan. On the most recent loan of the Bank, which was a 25-year loan, the interest rate was  $4 \frac{3}{4}\%$ .

I think you may be interested in the attached reports concerning the International Finance Corporation which outline a proposal for a development institution which seems to be somewhat along the lines of your thinking.

Very truly yours,



Richard H. Demuth  
Director

Technical Assistance and Liaison Staff

Attach.



~~1. Mr Konrad~~

~~2. Mr King~~

~~3. Mr Calkins~~

4. Mr Stevenson

Trans + Exhibition

Hydro Electric + Grain

Projects + Grain

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

Mr. Rosen:

This strikes me as being a pretty good document - worth circulating within the Bank, when the final version comes along.

I was interested in the view - expressed on pages 23 and 48 - that in the industrialized countries of Europe (as distinct from the "under-developed" ones) it was quality of capital - i.e. production techniques coming in with a new business - rather than quantity which was most desirable. This appears to put Bank loans in the less desirable class. Would the Belgians, or the Germans, agree to this?

R. S. S. S.

July 30

**GENERAL FILES  
ROUTING SLIP**

Date

JUL 22 1954

**ROUTING OF INCOMING MAIL**

Mr. Black	1023		Public Relations	1109
Mr. Brower	205		Mr. Riley	1201
Mr. Demuth	1013		Mr. Reamy	200A
Tech. Operations	305		Research Files	212
Mr. Garner	1002		Mr. Sommers	1113
Mr. Gregh	320		<i>Mr Rosen 405</i>	
Mr. Hoar	405			
Mr. Howell	1004			
Mr. Iliff	1002			
Mr. Johnston	203			
Mr. Knapp	421			
Mr. Mendels	1009			
Office Services	113			
Personnel Div.	1213			
Mr. Poore	200			

Remarks:

*Mr. Shellenbarger RJS  
Any comment?  
M*

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON 25 D. C.

TEL. BABYLONE 17-10  
CABLE ADDRESS-INTBAFRAD PARIS

PLEASE REPLY TO  
PARIS OFFICE ADDRESS  
67, RUE DE LILLE  
PARIS (7<sup>e</sup>). FRANCE

July 20, 1954

Mr. Martin M. Rosen  
Assistant Director  
Department of Operations - Europe,  
Africa and Australasia  
International Bank for Reconstruction  
and Development  
Washington, D.C.

Dear Martin:

With reference to my letter of July 19, we have now received copies of the new draft report on Private United States Investment in Member Countries and Overseas Territories. This is the draft that will be considered at the series of meetings starting to-day.

With kind regards.

Yours sincerely,

*Walter*

Walter Hill  
Special Representative in Europe

Encl.

MA 10 1954

RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL BANK FOR  
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INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON 25 D. C.

PLEASE REPLY TO  
PARIS OFFICE ADDRESS  
87, RUE DE LILLE  
PARIS (7<sup>e</sup>), FRANCE

TEL. BABYLONE 17-10  
CABLE ADDRESS - INTERRAD PARIS

July 20, 1954

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Assistant Director  
Department of Operations - Europe,  
Africa and Australasia  
International Bank for Reconstruction  
and Development  
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With kind regards.

Yours sincerely,

*Walter Hill*

Walter Hill  
Special Representative in Europe

Encl.

JUL 22 9 30 AM 1954

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INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON 25 D. C.

TEL. BABYLONE 17-10  
CABLE ADDRESS-INTBAFRAD PARIS

PLEASE REPLY TO  
PARIS OFFICE ADDRESS  
67, RUE DE LILLE  
PARIS (7<sup>e</sup>), FRANCE

July 19, 1954

Mr. Martin M. Rosen  
Assistant Director  
Department of Operations - Europe,  
Africa and Australasia  
International Bank for Reconstruction  
and Development  
Washington, D.C.

Dear Martin:

Attached are copies of new drafts of the report on "Private United States Investment in Member Countries and Overseas Territories" that is being written by Working Party No.6 of the Economic Committee of OEEC. I think the final report will be even better than the draft which you praised in your letter of June 29.

The Working Party is meeting again to-morrow to consider these re-drafts. The report will then go to the Economic Committee which will submit it to the Executive Committee; that Committee, in turn, may recommend the publication of the report to the Council.

When the second draft of the report (which I sent you with my letter of June 21) was considered, some of the members of the Working Party appeared to be a bit disappointed with it because it contained little that was new and did not make any startling recommendations. In a brief statement, and in private conversations, I said that the report was most interesting in its historical part and realistic in its analytical sections and in its judgment; while the report might not contain much that was new and did not reach any spectacular conclusions, its contents imparted a sense of perspective to the problem and deserved to be made available to all people interested in it; I had no specific comments on the draft, save a minor suggestion that the first part of paragraph 126, preceding the reference to the Bank, might be reworded to make

*Research file*

Mr. Rosen - 2 -

clear that the Bank was not merely promoting joint operations in the field of extractive industries; I concluded my statement by indicating the part played by the Bank in the promotion of private United States investment abroad and the importance attached by the Bank to this activity.

With best wishes.

Yours sincerely,

*Walter*

Walter Hill  
Special Representative in Europe

Encls.

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JANUARY 1950  
SECRET

Mr. Rosen - 2 -

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Yours sincerely,

*Walter Hill*

Walter Hill  
Special Representative in Europe

Encls.

RECEIVED  
INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
JUL 22 9 35 AM 1954



Dear Mr. Black:

7/13/54

Reference is made to our letter to you of May 20, 1954. ✓

We trust we may receive your reply in due course, and thank you for your courtesy in the matter.

Very truly yours,

**CHARLES ABBOTT & ASSOCIATES INC.  
29 WEST 74th STREET  
NEW YORK 23, N. Y.**

ack. July 22/54

June 29, 1954

Dear Walter:

We had no new comments on the draft report of Working Party No. 6 of the Economic Committee of O. E. E. C. on U. S. private investment sent with your letter of June 21 and there seemed no point in sending you a cable to that effect.

I might mention that we were struck by the readability and style of this new draft. Whoever rewrote the earlier version did a very able job.

Yours sincerely,



Martin M. Rosen  
Assistant Director of Operations  
Europe, Africa and Australasia

Mr. Walter Hill  
International Bank for Reconstruction  
and Development  
Paris, France

JHWilliams:mc

Private Investment

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON 25 D. C.

TEL. BABYLONE 17-10  
CABLE ADDRESS-INTBAFRAD PARIS

PLEASE REPLY TO  
PARIS OFFICE ADDRESS  
67, RUE DE LILLE  
PARIS (7<sup>e</sup>), FRANCE

June 21, 1954

JW

Mr. A.S.G. Hoar  
Director of Operations - Europe,  
Africa and Australasia -  
International Bank for Reconstruction  
and Development  
Washington, D.C.

Dear Stanley:

*- Research files*

Attached is the revised draft report of Working Party No.6 of the Economic Committee of OEEC dealing with private United States investment in OEEC member countries and overseas territories. The discussion of the report will begin on June 28 and is likely to take several days. I have not yet had an opportunity to go through the revised edition, but if there are any points additional to those made in your letter of May 26 which you would like me to mention to the Working Party I should be grateful if you would kindly let me know.

*at 20 in return  
4. system based  
credit & promises  
private i.*

With best wishes.

Yours sincerely,

*Walter Hill*

Walter Hill  
Special Representative in Europe

Encl.

JUN 24 8 54 AM 1954

RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL BANK FOR  
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*ack June 29/54*

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

WASHINGTON 25 D. C.

PLEASE REPLY TO  
PARIS OFFICE ADDRESS  
67, RUE DE LILLE  
PARIS (7<sup>e</sup>), FRANCE

TEL. BABYLONE 17-10  
CABLE ADDRESS-INTERRAD PARIS

June 21, 1954

*for*

Mr. A.S.G. Hoar  
Director of Operations - Europe,  
Africa and Australasia -  
International Bank for Reconstruction  
and Development  
Washington, D.C.

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With best wishes.

Yours sincerely,

*Walter Hill*

Walter Hill  
Special Representative in Europe

Encl.

JUN 24 9 54 AM 1954

RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL BANK FOR

RECEIVED

*see June 22/54*

June 11, 1954

Dear Froomkin:

Thanks for talking to Mr. Burland. I understand that he will get in touch with you directly. He, of course, appreciates any help that your organization can give him.

I have made a note to send you the chapter on industry as soon as it is beyond the preliminary draft stage.

The name of our man who was in Turkey is Guy Trancart.

I wonder whether I can ask you for one favor right now. While you were here I mentioned to you the inquiry which we obtained regarding discriminatory inheritance tax in foreign countries, and you were good enough to give me the name of Mr. Wender. Since I do not know him, I wonder whether you would be kind enough to inquire from him whether he could be of any help in this regard? For your and his information I enclose the letter which Mr. Black received on the subject.

With kindest personal regards,

Sincerely yours,

*see Apr 19/54*

J.H. Adler  
Assistant to the Director  
Economic Staff

Encl.

Mr. Joseph Froomkin  
International Program in Taxation  
Law School of Harvard University  
Cambridge 38, Mass.

JHADler:at  
6/11/1954

May 27, 1954

Dear Mr. Kover:

Thank you very much for your interesting comments on my speech of April 14 at the Seventeenth Meeting of ECOSOC.

Your question concerning my statement that foreign private capital is beginning to venture more boldly into developmental areas is, I must admit, a very legitimate one. The expansion of U.S. direct investment in manufacturing which took place between 1950 and 1952 does, I believe, suggest a willingness to invest abroad in fields other than extractive industry when the general climate abroad is not too unfavorable. My feeling of qualified optimism was based, however, not so much on the statistical record as on the more active interest which I have noted on the part of private capital in foreign investment, either actual or prospective. This revival of interest is evident even in the field of portfolio investment. The International Bank, for example, has been increasingly successful in selling securities from its portfolio.

I certainly would not want to give the impression that private investment in the foreign field can be expected quickly to fulfill the development objectives of the democratic world. This point was also made in my speech at the Seventeenth Meeting of ECOSOC. As I pointed out in a speech this month in Cleveland before the Ninth Annual Cleveland World Trade Conference: "More savings are accumulated here in the United States than anywhere else in the world but we have not found the way to transfer an appropriate part of them abroad in the form of investment. In these days, the United States has a 370-billion-dollar economy; but we are sending abroad only as many dollars as we were when we had a 100-billion-dollar economy -- and they are depreciated dollars, at that."

Yours very truly,

(Signed) Eugene R. Black

Eugene R. Black

Mr. J. F. Kover  
9, rue du General Niox  
Paris 16<sup>e</sup>, France

LBRist:eob

May 26, 1954

Dear Walter:

Your letter of May 19 on the subject of private American investment in Europe and overseas territories, with the attached memorandum by Leslie Butcher, reached me only on May 24, too late to give you my reaction in time for the next meeting of Working Party No. 6.

Nevertheless, I want to associate myself with the suggestion you made in your last paragraph that when the revised text came up for discussion you might say a few words in praise of the realism expressed in the draft and at the same time take the opportunity of emphasizing the Bank's contribution in promoting private investment.

Yours sincerely,



A. S. G. Hoar

Mr. Walter Hill  
International Bank for  
Reconstruction and Development  
Paris, France



JFajans:mc

*Per Invest*

May 25, 1954

Dear Mr. Abbott:

Your letter of May 20th has been received during Mr. Black's absence in Europe. It will be brought to his attention when he returns at the end of this month.

Very truly yours,

Mignon H. Roberts  
Secretary to Mr. Black

Mr. Charles A. Abbott  
Charles Abbott and Associates, Inc.  
29 West 74th Street  
New York 23, N.Y.



*Charles Abbott and Associates, Inc.*

MAY 21 REC'D

MINERALS - ORES - MANUFACTURERS AGENT

Cable Address: "CHARABBOT"

29 WEST 74th STREET • NEW YORK 23, N. Y. • Telephone SCHuyler 4-5531

20 May, 1954

Mr. Eugene R. Black, President  
International Bank For Reconstruction & Development  
1818 H Street, N.W.  
Washington 25, D.C.

Dear Mr. Black:

In view of current action, recommendations, proposals, etc. with a view to stimulating foreign investments and the creating of proper "climates" for such investments, we are writing you.

The International Chamber of Commerce is to present an International Code of Fair Treatment For Foreign Investments before the current session of the United Nations Economic and Social Council. This draft code, in the form of an international convention, sets forth basic civic, legal and fiscal safeguards considered essential to attract private capital to underdeveloped countries.

Dr. Julius Hirsch, internationally noted economist, has filed a plan with the Senate Banking and Currency Committee, and expects the committee to take the plan under consideration in June, 1954, when it begins a study of measures to stimulate foreign investments and possibly to aid export credit. Dr. Hirsch has pointed out that 14 other countries, chiefly European, now provide Government-supported export credit insurance and a degree of foreign investment guarantees for their nationals.

Dr. Hirsch has recommended regarding foreign investments that a syndicate of American private business, including major industries, banks and insurance companies be established. They would work with a Government agency, preferably incorporated in the Department of Commerce. This agency also would work closely with the Federal Reserve Board, the Export-Import Bank, and the Foreign Operations Administration. Other than granting reinsurance, the agency function would be chiefly to establish and maintain agreements with other countries to increase security of private American investments. The determination of investments and loans eligible for guarantees would be handled entirely by the business organization. It is estimated that the necessary starting reserves for the investment guarantee system would not have to exceed \$310-million with only \$130-million provided by the Government agency.

A proposed special UN fund for economic development of \$250-million is being discussed, however, most of the countries who subscribe to the purpose of the fund contend that heavy expenditures on defense preclude a contribution to the fund at this time. At the moment it appears that any action taken by other countries is dependent upon participation by the United States.

The recent suggestion by a director of the International Monetary Fund for liquidation and parceling out its approximately \$3½-billion to the member countries may contribute to world economic stability.

20 May, 1954

During 1953, correspondence was exchanged with the Board of Trade, London, regarding the possibility of a general program of development in a High Commission Territory. The program would provide for basic projects, i.e. a railroad and rolling stock, and provision of industrial and manufacturing plants required which would utilize raw materials of the area in production. The loan would be repaid within a period of 5 to 7 years, or maximum of 10 years, and would be principal and interest. The loan would be basically in the form of capital goods, plants, equipment, engineering, etc. Local personnel would be employed and trained in the operations of the plants, etc. When principal and interest would be repaid the projects, plants, etc. would be turned over to the Government and/or their designated agents.

Since under such a type of operation, the principals would desire guarantees by the foreign government against risks of nationalization, confiscation, expropriation, sabotage, etc.. Such guarantees would be offered to the Principals handling the operation as well as to commercial banks, investment firms concerned, or with an institution such as your Bank.

We were informed that Her Majesty's Government can and does give such guarantees in respect of certain loans such as made by the International Bank, but does not give guarantees of loans made by third parties.

It was concluded, therefore, that although the United Kingdom Government invites investments within the Commonwealth areas (and even if funds may be available to private principals from the International Bank), that the United Kingdom Government would not be prepared to offer guarantees to private principals. It would appear that investments in Commonwealth or colonial territories (to obtain a guarantee) are confined to straight investment of funds in sterling securities which are issued on the London market by Colonial Governments, and which carry such a guarantee. Basically, however, it appears that any sort of equity investment may receive certain concessions in the form of equitable taxation, concessions, etc., but would not be offered specific guarantees. Based on pamphlets, literature, etc. regarding investment opportunities in Commonwealth areas; with the operations of the Colonial Development Corporation (whose securities sold on the London Exchange carry a guarantee); American and other foreign principals who may be prepared to consider equity investments or loans as described above would not be offered a fair, equitable, or competitive basis for such investments or loans. Should the United Kingdom Government be prepared to extend guarantees to private interests it may stimulate greater interest among private interests to make equity investments and loans within Commonwealth and Colonial areas.

Discussions are presently being held with some of the large reputable firms regarding the formation of a development corporation. The respective members of this corporation will be in a position to effect any type of project or plant, etc. required by foreign governments for development of their countries and stabilization of their economies. Repayment of the loans within a specific period may allow for additional loans in the countries for further development. The total assets of the member firms of the corporation will exceed \$1-billion.

It is seriously felt that unless official action is taken by the U.S. Government and steps are taken promptly to establish conditions favorable to foreign investments; that with activity taking place by foreign governments with respect to guarantees of investments of their nationals in foreign areas, that within the course of a few years it could result in a serious setback to our own industry and economy.

20 May, 1954

We feel that the formation of such a development corporation described above may be a step forward to offer assistance to foreign governments for development of their countries. The development programs would either be conducted with the official governments, or should the foreign governments wish to effect the programs on a free enterprise basis by their own nationals, such would be taken under consideration. However, in either instance, the foreign government would be required to give guarantees against nationalization, confiscation, expropriation.

It is realized that the standing of such a corporation and the assets of the member firms would place the corporation or the individual members in a position to obtain funds or loans from commercial banks. However, in most instances, should actual funds or loans be required it would be on a short-term basis, and may not be on reasonable terms of interest.

We are not cognizant of the current policies of the International Bank regarding loans or credits to private principals, or firms. Therefore, it will be greatly appreciated and helpful if you will inform us on what basis the International Bank makes or participates in loans or investments by private investments or firms. On the basis of operations outlined above whereby development programs would be effected with foreign governments and/or nationals of those countries, what are the policies of the International Bank concerning funds, credits, or participations in such loans. Further, what rates of interest are generally charged by the Bank on such loans or credits. How are applications made to the Bank for such loans or credits.

It will be appreciated if you will advise, based on the type of operations contemplated by such a development corporation described above, that if funds or credits be required by the corporation (or individual members of the corporation) for specific plants, projects, etc., would funds, credits, or participation be available from the International Bank.

We await your reply.

Very truly yours,

CHARLES ABBOTT & ASSOCIATES INC.

  
Charles A. Abbott

CAA/fm

cc: Wall St  
Washington  
Miami  
Pittsburgh

WALL ST S 20 BW 100

Department of State

Washington, D.C.

1954

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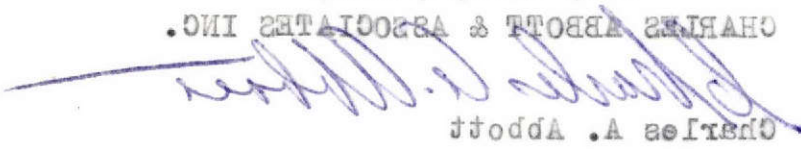
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We await your reply.

Very truly yours,

CHARLES ABBOTT & ASSOCIATES INC.



Charles A. Abbott

CAA/fm

cc: Well St  
Washington  
Miami  
Pittsburgh

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INDEXED  
MAY 21 1954

May 18, 1954

Mr. Nelson Gammans  
161 East 42nd Street  
New York 17, New York

Dear Mr. Gammans:

Mr. Black has asked me to acknowledge receipt of your letter to him of April 19. He has read your letter with considerable interest and has forwarded it to the Director of the Bank's Economic Staff for his consideration.

Sincerely yours,

W.A.B. Iliff

W. A. B. Iliff  
Assistant to the President

WABI:RHD:rha

*sent to Mr. Ritt*

May 18, 1954

Mr. Mark M. Jones  
Consulting Economist  
Princeton, New Jersey

Dear Mr. Jones:

Mr. Black has asked me to tell you that he has read with considerable interest your letter of April 24. The views you express concerning the importance of fostering private enterprise are very much shared by the management of the Bank.

Sincerely yours,

W.A.B. Iliff

W. A. B. Iliff  
Assistant to the President

WABI:RHD:rha

*Private Invest.*

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON 25 D. C.

TEL. BABYLONE 17-10  
CABLE ADDRESS-INTBAFRAD PARIS

PLEASE REPLY TO  
PARIS OFFICE ADDRESS  
67, RUE DE LILLE  
PARIS (7<sup>e</sup>), FRANCE

May 19, 1954

*Ly*

Mr. A.S.G. Hoar  
Director of Operations  
Europe, Africa and Australasia  
International Bank for Reconstruc-  
tion and Development  
Washington, D.C.

*to Stevenson*

*JF  
Files*

*Ans  
26/1*

Dear Stanley,

Following the OEEC Conference on "Private American Investment in Europe and its Overseas Territories", Working Party No. 6 of the Economic Committee of OEEC set to work in preparing a report embodying the results of the debate upon which I reported on March 4. A first draft (copy attached) was discussed during the past fortnight by Working Party No. 6; I enclose a detailed report prepared by Mr. Butcher who attended a series of meetings.

Now I must say that even the first rough draft is far more realistic and shows a better sense of perspective than some of the other papers on investment problems produced by OEEC. After all these years of debate the meaning of investment is beginning to be understood.

As to needs and expectations of capital imports the thinking of the Working Party is revealed in these paragraphs:

"86. It will be clear from the preceding discussion that important changes have occurred in recent years in the situation of Member countries in relation to private American investment. The nature of Europe's need for private U.S. capital has changed, since the completion of post-war reconstruction has reduced very greatly the extent to which capital is now needed to cover import surpluses corresponding to high rates of domestic investment. In most metropolitan countries, the primary need is now for the type of investment likely to stimulate increased productivity, a type in which the magnitude of the sums involved may not be very great.

87. At the same time, some metropolitan countries and the majority of overseas dependencies still stand

*ans. May 26*

in urgent need of foreign capital for the exploitation of natural resources and the development of the basic structure of their economies.

128. Taking even an optimistic view of the situation, it would be idle to imagine that there is any substantial hope of a vast flow of private American capital into Europe or its dependencies during the coming years. Memories are too long, alternative openings too many, doubts too strong for any fundamental reversal in the recent trends, certainly during the years immediately ahead. "

The significance of these remarks is that they apply not merely to American capital but to capital imports generally. The report still bears traces of the "debtor psychology"; its authors might have gone further and admit that some European countries should resume their former function of capital exporters. An interesting point made in paragraph 86 is that the "primary need is now for the type of investment likely to stimulate increased productivity"; is not this a belated, if indirect, compliment to the Bank which is guided by precisely this aim in its examination of projects?

Again the authors face frankly the fact that if member countries are anxious to attract private American investment they will have to provide the conditions likely to attract it. This, too, applies with equal force to intra-European private investment; it is not without significance, for example, that Swiss bankers are more ready to make credits to other European countries for the simple reason that their creditworthiness has improved.

An attempt was made by the Austrians (a copy of their proposals is attached) to use Working Party No. 6 as a means of dragging in the proposals for an Investment Advisory Board. Mr. Pini, the Italian Chairman, with whom I have established friendly relations, scotched this attempt about which you will find details in Mr. Butcher's report.

I understand that Working Party No. 6 will consider an improved text on about May 24. If you agree we might then say a few words on the lines of the earlier part of this letter and emphasize again the Bank's contribution in promoting private investment.

With kind regards.

Yours sincerely,

*Walter Hill*

Walter Hill

Special Representative in Europe

Encls.



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With kind regards.

Yours sincerely,

*Walter Hill*

Walter Hill

Special Representative in Europe

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INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

Encls.

NOV 21 10 14 AM 1954

Mr. Hill

May 14, 1954

Leslie G. Butcher

OEEC Working Party No. 6 of the Economic Committee.  
Draft Report on private U.S. Investment in Europe.

1. From Monday, May 10 through Thursday, May 13, 1954 the Working Party met twice daily except on Thursday when the Working Party met only in the afternoon.

2. Mr. Pini (Italy) was chairman of the meetings. Messrs. Bertrand and Lanner represented the Secretariat, and members of the Working Party who attended were Mr. Blum (Belgium), Mr. Delbard (France), Miss Schippel for Dr. Robert (Germany), Mr. Manolakis (Greece), Mr. Ribu (Norway), Mr. Stroehlin (Switzerland), and Mr. Langstaff (U.S.A.). Mr. Brayne (U.K.), also a member of the Working Party, did not attend, but before the meetings he had given Mr. Pini his comments on the matters to be discussed. Messrs. Lieftrinck (Netherlands) and Mr. Akinci (Turkey) did not attend any of the meetings. I attended all the meetings, at least for part of the time.

3. The Working Party discussed the draft report dated April 7, 1954 - EC/WP6(54)8. Earlier they had discussed paragraphs 1 through 64, and when I joined the meeting on Monday they were discussing "The Legislative Background in Europe affecting U.S. Investment." Mr. Bertrand interrupted the meeting to introduce me to Mr. Pini. He welcomed me and invited me to comment whenever I wanted to. I thanked him and was then given a copy of the draft report.

4. The discussion was detailed. Sometimes the Working Party discussed the use of one word for as long as half an hour. Although they agreed upon two or three changes in every paragraph they did not add much to the draft. They agreed to change emphasis here and there, to divide paragraphs into two, and to combine other paragraphs. The effect of all this was that the Secretariat will produce a new draft to be ready about May 24 for further consideration by the Working Party.

5. There were two matters of particular interest to the Bank:

a) One was the attached paper, EC/WP6/W(54)9 "Memorandum concerning the Suggestion made by the Austrian Delegate to the Dollar Investment Conference in regard of the Delegation of Missions for studying the Investment Climate". This brought up the matter of the Investment Advisory Board. Mr. Pini

thought that missions were worth mentioning in the report and he seemed to want to give the Austrian delegation some credit for the idea. He was, however, opposed to detailed discussion of the suggestion because it raised again a subject which he had tried unsuccessfully to put over for two years, and he thought that the Austrian proposal raised other matters outside the scope of the Working Party. In this he was supported by Miss Schippel (Germany). Later Mr. Pini told me that as the Austrian suggestion, made in general terms to the Dollar Investment Conference, had seemed a good one at the time, the delegation had been asked to elaborate it; now the elaboration was so obscure that it was hard to know what the original suggestion was. The Working Party did not discuss the paper but they did agree reluctantly to include in the draft report, probably after the present paragraph 103, the following paragraph:

"Missions - Des missions internationales comptent parmi les moyens que les pays Membres peuvent employer soit pour faire connaître les conditions favorables faites aux capitaux étrangers et les emplois utiles que ceux-ci peuvent y trouver, ou pour recueillir l'avis de personnalités étrangères compétentes sur les améliorations susceptibles d'être apportées au régime applicable aux investissements étrangers. Il appartiendrait aux pays Membres intéressés de susciter l'envoi de telles missions internationales dont l'organisation et la composition ne sauraient être précisées par avance. La Banque Internationale de Reconstruction entreprend déjà d'envoyer dans certains de ses pays Membres des missions chargées d'étudier les possibilités de développement et de financement international. Les Comités de l'O.E.C.E. qui ont étudié les moyens de faciliter les investissements internationaux, particulièrement ceux provenant des Etats-Unis, seraient en mesure de collaborer efficacement à l'étude du "climat" des investissements étrangers dans les pays Membres qui le souhaitent".

I asked to have the words "à la demande des gouvernements de ses pays Membres" inserted before "La Banque Internationale" in the third sentence and that the Bank's name should be corrected. The Working Party agreed that this paragraph should be included in the next draft in order that they could then see how it looked. At the time I think it kept the Austrian delegate happy. (An Austrian delegate attended two meetings ready to discuss the Austrian suggestion).

b) The other matter of particular interest to the Bank was a reference to the International Finance Corporation. The International Finance Corporation was included in a "List of Suggestions for Providing Private Foreign Investment" which the Secretariat circulated to the Working Party. This was a

list of ideas which had been mentioned at one time or another and which, Mr. Bertrand thought, might be worth considering. The Working Party thought the idea of I.F.C. was dead. I said that it was not, that the Bank was still studying it, and that the Bank had been asked to report on the proposal to ECOSOC this summer. I think that International Finance Corporation will not be mentioned in the next draft unless someone insists.

6. At its next meeting the Working Party will discuss the International Code for Foreign Investment (International Chamber of Commerce, Report of the Committee on the Flow of Capital, 1946). Mr. Langstaff (U.S.A.) had urged the Working Party to consider it. I think the Working Party would not have agreed to do so if anyone else had suggested it.

7. The Working Party discussed and agreed to amplify in the next draft the following:

- a) Although expropriation would probably follow nationalisation they were not the same thing;
- b) The necessity for assurance of prompt payment to the investor if the enterprise in which he has invested is expropriated;
- c) The different kinds of guarantees which a member country might give, i.e. exchange guarantees (not usually practicable), transfer guarantees, expropriation guarantees, and other guarantees of an international character;
- d) The present paragraph 120 which cannot mean what it says, but no one was sure what it did mean. Mr. Langstaff (U.S.A.) agreed to provide an explanation; and
- e) A suggestion that supplementary agreements on investments might be added to treaties of Friendship, Commerce and Navigation between OEEC countries and the U.S. Apparently supplements on investments have already been added to the treaties between the U.S. and Portugal.

8. Miss Schippel (Germany) asked that the Secretariat should distribute the new draft at least a week before the date of the Working Party's next meeting in order to enable the delegations to refer the draft to their capitals for instructions. Mr. Pini thought the delegations should not send the new draft to their capitals as that would put the member countries which were not represented on the Working Party at a disadvantage, and it would also bring in different points of view. He, therefore, instructed the Secretariat to distribute the new draft to the Working Party at least three days before the next meeting. Miss Schippel seemed satisfied.

9. I did not make any suggestions at the meetings about the language of the report, but I did discuss it privately with Mr. Pini and Mr. Lanner. Whoever had drafted the report had avoided direct statements. This weakened the whole report. Mr. Pini told me privately that he deplored this but he thought that it was more important to present the report without any more delay than to be concerned with style; he did think that some of the more objectionable solecisms would be dropped in the new draft. I mention this point because the Bank may, at some later date, be considered as part-author of the report. Mr. Lanner, an Englishman who has just joined the OEEC secretariat, told me that he would redraft the entire report. I think he will do a good job.

*L.G.B.*

cc: Mr. Hoar ✓

LGB/aj

J.F.Kövéér, Paris 16-ème  
9, rue du Général Niox

Paris, April 24. 1954.

MAY 3 REC'D

Dear Mr. Black:-

Your Paris office has kindly supplied me with a copy of your speech delivered on April 14, at the 17th meeting of ECOSOC.

There is one paragraph in this highly instructive speech which does not follow the lines of statements by other leading personalities of the international economic life, made to me in private conversations and I should highly appreciate your giving me some lead on the respective point.

You stated that private capital started lately to make again investments abroad, and this not only in the sector of mining. Unless you had in mind special cases like Canada, which is in a privileged position owing to its sound economic policy, or the creation by American industries of subsidiaries in foreign countries with a view to overcome the difficulties created by quotas and exchange restrictions, I have found as yet but scarce signs of the new trend, mentioned by you. Switzerland has granted a loan to a big French industrial company (Péchiney), but this was its first transaction of this kind since the war and neither does it seem to me that it would be followed soon by others of a similar character.

Quite recently Mr. Hugh Gaitskell expressed to me in a private conversation the view that international investments will have to rely in the future on governmental loans or on those of your Bank, the private capital being loath to take the risks of investments abroad both on account of political considerations and highly unfortunate malpractices of many underdeveloped countries. This he maintained although we agreed that several of these countries, such as India, Turkey and Egypt, have enacted recently laws regarding the activities of foreign capital, which hold out the promise of a loyal treatment of it.

I wish to avail myself of the opportunity to inform you that I tried to figure up an order of magnitude for the additional needs of international risk taking investment capital, if the Western world wishes to live up to the rules set forth in your speech (page 8, first paragraph in the French version). The figures are really astronomical and leading persons at the ECE in Geneva suggested to me, not to publish articles in this sense, as they would be highly dispiriting both for the investors and the underdeveloped countries. Since it appears to be out of question to invest annually additional amounts of about 25 billion dollars with a view to increasing the standard of life of a rapidly increasing population in the underdeveloped countries by at least 2% per annum (including new investments all over the free world with a view to creating new jobs for our equally increasing population and, similarly, providing funds for the replacement of mechanical equipment at an ever increasing pace on account of more rapid technical obsolescence), my interlocutor meant that investors and even political circles in America could begin to doubt the wisdom of international investments, if efforts would necessarily prove utterly inadequate to bring about substantial improvements noticeable to the broad masses. Similarly, my interlocutor felt that totalitarian propaganda could avail itself of such publications, bringing home to the masses in the underdeveloped countries that they cannot hope to solve their problems in cooperation with the Western world and ought better turn their minds towards Bolshevism.

I should highly appreciate your lead in this complicated but fascinating matter and would send you a copy of my study, if you express the wish therefor. Unfortunately, it has been elaborated for a leading personality of the Swiss financial life and is written in German.

Believe me, dear Mr. Black,

Yours very respectfully,

J.F.Kövéř

Mr. Eugene Black  
President of the International Bank for  
Reconstruction and Development  
Washington D.C.

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INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

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Yours very respectfully,

J. F. Kövér

Mr. Eugene Black  
President of the International Bank for  
Reconstruction and Development  
Washington D.C.

MAY 3 2 52 PM 1954

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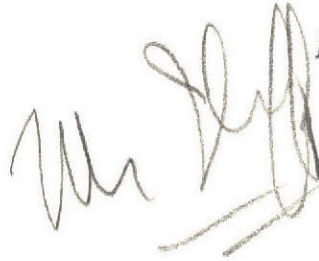


MARK M. JONES  
CONSULTING ECONOMIST  
PRINCETON, NEW JERSEY

APR 27 REC'D

April 24, 1954

Mr. Eugene R. Black  
President, International Bank for  
Reconstruction and Development  
Washington, D. C.



Dear Mr. Black:

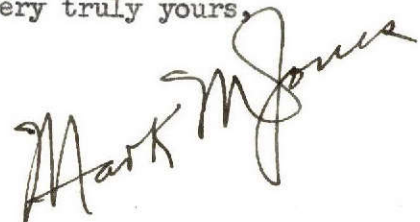
The press reports of your statement to the Economic and Security Council of the United Nations carried some commendable items in the realm of interesting realities. Having given some attention to matters of this kind at various times in the past, I have usually come out at the same question which I now ask you.

Why is it that everything is proposed except the one thing that will do the most good? This would be to show each country how to set up and maintain a going-concern economy. Not having the idea of natural law in that form, most of them adhere to measures from which economies in liquidation automatically result and persist. In a sense it can be said that they are practicing economic illiteracy because they fail to recognize that their number one problem is to create a tax base, maintain it, and enlarge it. This can be done only by fostering enterprise instead of invoking measures that finally have the effect of liquidation.

Naturally Socialists who really know what they are doing will not prefer such a capitalistic mechanism as a going-concern economy. But every agency of the institution of Private Capitalism should stop aiding anything else.

With esteem and appreciation, I am

Very truly yours,



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Washington, D.C.

April 27, 1954

The Board of Directors

International Bank for Reconstruction and Development

Washington, D.C.

Dear Sirs:

Reference is made to your letter of April 23, 1954.

The Board has considered your letter and the information

therein contained and has decided to approve the proposed

amendment to the Charter of the Bank.

The Board's decision is subject to the approval of the

Board of Governors of the Bank.

The Board's decision is subject to the approval of the

Board of Governors of the Bank.

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Board of Governors of the Bank.

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Board of Governors of the Bank.

The Board's decision is subject to the approval of the

APR 27 1 26 PM 1954

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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# Record Removal Notice

<b>File Title</b> Operational - Investments - Promotion and Protection of Private and Foreign Investment - Correspondence - Volume 4		<b>Barcode No.</b>  30357187		
<b>Document Date</b> April 7, 1954	<b>Document Type</b> Report			
<b>Correspondents / Participants</b> Organization for European Economic Co-operation				
<b>Subject / Title</b> Working Party No 6 of the Economic Committee - Draft Report on Private United States Investment in Europe				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td><b>Withdrawn by</b> Kim Brenner-Delp</td><td><b>Date</b> August 16, 2023</td></tr></table>	<b>Withdrawn by</b> Kim Brenner-Delp	<b>Date</b> August 16, 2023
<b>Withdrawn by</b> Kim Brenner-Delp	<b>Date</b> August 16, 2023			

<b>ROUTING SLIP</b>		Date
NAME		ROOM NO.
<del>1) Mr Rosen</del>		
<del>2) Mr Hoar</del>		
<i>Op. Files</i>		
Action		Note and File
Approval		Note and Return
Comment		Prepare Reply
Full Report		Previous Papers
Information		Recommendation
Initial		Signature
Remarks		
Frc <span style="margin-left: 100px;"><i>awf</i></span>		

April 20, 1954

Dear Walter:

This is a somewhat belated reply to your letter of January 22, 1954, on various matters concerned with the international flow of capital. We found the material you sent on regulations governing private American investment in member countries) interesting.

<sup>very</sup>  
We have looked over your proposed project and are particularly attracted by "B"- Volume of new capital issues - prewar and postwar to date". This would be a useful study to have and we hope you can undertake it - or get OEEC to do it. We assume you mean to have a separate category for any external issues floated in a particular country's market.

Please keep us informed of your progress on this.


Yours sincerely,



A. S. G. Hoar

Mr. Walter Hill  
International Bank for  
Reconstruction and Development  
67 Rue de Lille  
Paris (7<sup>e</sup>), France

AMKamarck/jcd



C  
O  
P  
Y

NELSON GAMMANS  
Counselor at Law

Chrysler Building East  
161 East 42nd Street, New York 17, N.Y.

April 19, 1954

Hon. Eugene R. Black, President  
International Bank for Reconstruction  
and Development  
33 Liberty Street  
New York 5, N.Y.

Sir:

I am referring to the statement appearing in The New York Times of April 15th relating to the necessary cooperation by foreign nations in solving their own economic and financial problems, and I note that several aspects of such cooperation are listed. There is one, however, that seems to have been overlooked; at least, it is commonly overlooked by the experts.

There are two kinds of capital which can be of benefit to foreign countries in the development of their local industries. One is the foreign capital provided by American corporations in their own operations, and the other is capital which might be furnished to locally controlled and managed companies by United States individuals. In my opinion, the latter form of investment might have favorable effects disproportionate to its amount. Such investment by individuals is unwittingly forbidden by many foreign countries, because their inheritance tax laws impose a burden which cannot be supported by individual foreign investors. The taxation of shares of stock in local companies, even though held by non-resident non-citizens, is ordinarily quite high and without substantial exemptions, and is often increased, sometimes doubled, in the case of non-resident beneficiaries. A private investor receiving dividends pays a considerable part thereof to the United States Government as income taxes, and the amount he retains is necessarily not large, but when he dies his distributees may have to pay 10 or 20 or 40 or (in at least one case I can think of) 60% of the value of the stock as fixed by the tax authorities, and it is quite conceivable that they will not be realistic in their valuations. The result is that the inheritance tax may amount to more than a good many years' of dividends after payment of Federal income taxes.

The recently enacted estate tax credit is only a partial remedy. It does not cover the first \$60,000 of valuation because there is no Federal tax against which the foreign taxes can be credited; and it does not cover situations where the foreign tax authorities have assessed a value much higher than our Federal authorities would be willing to accept; nor does it cover situations where the foreign rate of tax is in excess of our Federal rate.

It would seem to me beneficial to try to bring to the attention of foreign Governments the practical effects of our own tax policies. Maybe the Bank may see fit to do something along that line.

Very truly yours,

/s/ NELSON GAMMANS

Int'l Development  
Advisory Board

April 1, 1954

Dear Mr. Kimball:

In response to your letter of March 29 requesting some material for Mr. Firestone's forthcoming speech in Paris, I am attaching a brief note which I believe provides the kind of information you may find useful.

If there is anything further I can give you, please do not hesitate to let me know.

Sincerely yours,

  
R. L. Garner

Mr. Frank C. Kimball  
Executive Director  
International Development Advisory Board  
Washington 25, D. C.

Encls.

  
GMA:ter:RHD:rha

CROSS REFERENCES
Public Rel. gen
Firestone, H.S.

FROM - 1. Office of the President

2. Office of the Vice President

FORM No. 89  
(7-50)


Date \_\_\_\_\_

TO-		Name	Room No.
1		Mr De Muth	
2			
3			
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FOR-

	Action		Initialing
	Approval		Preparing Reply
	Comment		Previous Papers
	Filing		Noting and Returning
	Full Report		Recommendation
	Information		Signature

REMARKS

Can you tickle  
this? 



INTERNATIONAL DEVELOPMENT ADVISORY BOARD  
WASHINGTON 25, D. C.

CHAIRMAN  
ERIC JOHNSTON

March 29, 1954

EXECUTIVE DIRECTOR  
FRANK C. KIMBALL

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ROBERT P. DANIEL  
HARVEY S. FIRESTONE, JR. Mr. Robert L. Garner  
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HERSCHEL D. NEWSOM Washington 25, D. C.  
THOMAS PARRAN  
MRS. ROBERT L. VANN  
WILLIAM R. WHITE  
L. F. WHITTEMORE

*Rec. Apr. 1*

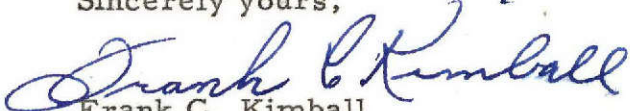
Dear Mr. Garner:

Mr. Harvey S. Firestone, Jr., Member of the Board, is going to be one of the principal speakers at the Second International Conference of Manufacturers in Paris this May. The subject of his address will be, "Broadening of Markets by Encouraging Investment Overseas." Mr. Firestone will try to develop how the investment of capital is actually accompanied by the technical knowledge and skills necessary to accomplish development, which in turn results in promotion of greater productivity, improvement of quality, and he hopes, the progressive removal of obstacles to trade.

It would be appreciated if you could have someone in your organization supply me with any specific examples which might support the challenge of Mr. Firestone's text. You may have instances where loans made by the Bank have laid a sound basis upon which private investment could build and actually accelerate the development process thereby opening additional markets, etc. This correlation between so-called public funds and private investment might be a good thing for Mr. Firestone to bring out. This is particularly true in the case of the International Bank which, although classified as a public-lending institution, uses predominantly private funds in its lending activities. We are trying to assemble some information on these subjects for Mr. Firestone by April 15 and would therefore appreciate it if you could supply us with some information along these lines by that date.

Thank you very much for your courtesies in the past, and needless to say, Mr. Firestone will greatly appreciate your assistance in this project.

Sincerely yours,

  
Frank C. Kimball  
Executive Director

INTERNATIONAL DEVELOPMENT ADVISORY BOARD

WASHINGTON 25, D. C.

ADMINISTRATIVE DIRECTOR  
FRANK C. KIMBALL

March 29, 1954

CHAIRMAN  
Ben Johnston

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Robert E. Darnall  
Henry S. Parsons, Jr.  
Joseph H. Coakley, Jr.  
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W. I. Miller  
Harold D. Pearson  
Thomas L. Larman  
Alfred H. White  
L. B. Whitbeck

INTERNATIONAL BANK FOR  
RECONSTRUCTION & DEVELOPMENT  
WASHINGTON 25, D. C.

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Thank you very much for your cooperation in the past, and we look to any, Mr. Firestone will greatly appreciate your assistance in this project.

MAR 30 9 39 AM 1954

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
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Frank C. Kimball  
Executive Director

## Notes on I.B.R.D. Activities for Address by Mr. Firestone

The lending activities of the International Bank have emphasized since 1948 the long-term financing of productive projects in the less developed countries of the world. The objective of Bank lending has been to help build the foundations on which modern economies depend -- electric power systems, railroads, ports, irrigation works, and the like. Projects in these fields are designed to have a generally stimulating effect on production of all kinds as distinguished from the facilities designed for the production of specific goods. Projects of the latter type are more likely to attract private capital than basic facilities of the type financed by the Bank, which usually require large outlays of capital and provide only modest returns over a protracted period. The Bank loans for the expansion of basic facilities have served to help either in removing obstacles to or create new productive opportunities for private capital, both foreign and domestic. The Bank's lending activities thus serve to accelerate the rate of development in those countries where a dynamic process is already under way, or to lay the foundations for a dynamic process of development where economic progress is at a standstill. The direct increase in investment promoted by Bank lending opens up larger markets for the goods and services utilized in development projects. More important, the process of development which the establishment of these projects fosters leads to rising levels of real income, the essential basis for a broadening of markets.

It has not yet been possible to undertake a broad survey of the private investments, foreign or domestic, which Bank-financed projects have actually stimulated. Most of these projects in underdeveloped countries are still under construction or have only recently been completed. Nevertheless, there is every reason to believe that the effects have already been substantial and will be increasingly significant.

There follows some examples of Bank lending which may be expected to open up investment opportunities for private capital:

1. In Colombia the Bank has helped finance the construction of several hydroelectric projects serving areas of great economic importance; is supporting a highway project; and is participating in the extension and

improvement of a railway connecting the country's eastern and western rail networks. The increased power and transportation facilities which will be available when these projects are completed should open up outlets in Colombia for entrepreneurial energies and capital, both foreign and domestic. Already there is evidence that the highway program, adopted by the Colombian Government with the Bank's advice and supported by a Bank loan, has given greater confidence to the foreign enterprises investing in petroleum refining and tire production.

2. Bank loans in the Rhodesias, Congo, and the Union of South Africa have made possible the expansion of basic services -- transport, ports, railroads, roads, and electric power -- which were bottlenecks in the development of the country. The inflow of foreign capital has recently played a very large part in the development of these countries and expansion of these basic facilities makes possible a continuation of the capital inflow. The copper belt in Northern Rhodesia and the Congo is a case in point. If the capacity of transport in the Congo and the Rhodesias had not been expanded, the copper companies would have been seriously hampered in opening new mines and working existing mines at full capacity. But with improved transport and the prospect of still further improvement, the mining companies are going ahead with plans for development, and heavy investments are being made by the parent companies.
3. In Nicaragua the effects of Bank-financed highway and farm machinery projects, the former not yet complete are already evident. The land opened up by new roads and the increased imports of tractors and farm machinery have greatly stimulated agricultural production. The resulting boom has already greatly stimulated the interest of foreign capital in agriculture, lumbering, and mining.

4. The Bank is currently assisting in financing several power projects in Brazil, all of which are likely to stimulate private investment. An example is the Bank-financed project for an expansion of the facilities operated by Brazilian Traction, Light and Power Company Limited of Toronto, Canada, which will relieve an acute shortage of power in the Rio de Janeiro and Sao Paulo areas. These are the most highly industrialized and densely populated part of Brazil and have already attracted substantial foreign capital in the industrial field. The growth of industries in Sao Paulo and Rio de Janeiro, which is proceeding at a rapid pace and involves considerable foreign private capital, would have been greatly retarded had power availability not had a corresponding growth.
5. The interest of foreign capital in Mexico has greatly revived in recent years. The IERD loans to Mexico for power expansion, one of which was for Mexican Light and Power Company Limited, a foreign company, will help relieve a serious shortage of power. This should permit the establishment of additional enterprises with foreign participation.
6. The Damodar Valley Development Scheme in India, one of the Bank-financed projects, is designed to raise agricultural production by the equivalent of \$50 millions annually, resulting in higher purchasing power. At the same time the project provides power for the expansion of a great variety of industries in that area. It is expected that industries in the following fields will develop as a result of the project: metal industries, chemical plants, cement, glass and silica works, machine factories and cable factories.

Private Invest:

Mr. A. S. G. Hoar

March 23, 1954.

W. A. B. Iliff

Dr. Gunnar Myrdal

It would be useful if you could be thinking about briefing Mr. Black for his conversation with Dr. Myrdal about the projects which Myrdal mentions in the attached letter.

W.A.B. Iliff

Attachments.

WABIliff/med.

March 12, 1954

Dear Walter,

Thank you for your letter of March 4 on the OEEC conference on American private investment in Europe. I have read the accompanying documents with interest and was pleased to see on the list of the participants the names of some of our good friends, like Melville, Grooters and Dommel.

I fully endorse the statement which you made on the conference. Coupled with the publicity given to the Washington panel discussion of September 1953, your statement must have brought out clearly the interest of the Bank in the problem of international investment. I also think that M. Le Fort's remarks did justice to the position of important non-American capital export interests.

You ask for my views on the various suggestions made by the experts. Such comment as I have is quite general. I am always in favor of simplifying the handling by governments of inquiries about investment possibilities. Tax incentives are certainly among the more effective inducements at the disposal of the receiving countries. And the freedom to repatriate capital and profits is a conditio sine qua non of all foreign equity investment. However, the suggestion that the repatriation take the form of goods produced by the foreign investor is most doubtful. Agreements to permit this may be suitable for mineral- or oil-producing companies operating in some less developed areas, but I do not think they would be acceptable for manufacturing or, indeed, for any enterprises in Western Europe.

With best regards,


Yours sincerely,



A. S. G. Hoar

Mr. Walter Hill  
I.B.R.D.  
Paris, France

JFajans:AStevenson:ang

<b>ROUTING SLIP</b>		Date
NAME		ROOM NO.
Mr. Pitt		1223
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	Action	Note and File
	Approval	Note and Return
	Comment	Prepare Reply
	Full Report	Previous Papers
	Information	Recommendation
	Initial	Signature
Remarks		
Fr		



*Private Investment*

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON 25 D. C.

TEL. BABYLONE 17-10  
CABLE ADDRESS-INTBAFRAD PARIS

PLEASE REPLY TO  
PARIS OFFICE ADDRESS  
67, RUE DE LILLE  
PARIS (7<sup>e</sup>), FRANCE

March 4, 1954

*lx*

Mr. A.S.G. Hoar  
Director of Operations - Europe,  
Africa and Australasia  
International Bank for Reconstruction  
and Development  
Washington, D.C.

*Mr Cope*

*Mr. Rollin*

*And further circulation.*

*Ans  
16/3 dated 12/3.*

Dear Stanley:

The OEEC conference on the obstacles to private United States investments in Europe and its overseas territories was similar to the panel discussion in Washington last September, with the exception that the one lasted one morning and the other four days from February 9 - 12.

At the end of the conference the United States delegation of businessmen and the Swiss Delegate undertook to prepare memoranda drawing their conclusions from the discussion. These have now come to hand and are included with the other documents listed below<sup>(1)</sup>.

The opening speeches of the members of the United States Delegation were similar to those made in Washington last September. In fact Mr. Searles Jr. quoted from the statement then made by his colleague Mr. Schneider. The replies made by the heads of European delegations included a description of the measures taken to attract private capital from the United States. The attached summary of the discussion includes the following list of suggestions made by various delegations:

- 1) The simplification of the formalities involved in investment.

---

(1) List of documents attached:

- (1) Agenda
- (2) List of experts attending the conference
- (3) Summary of the discussion
- (4) Opening speeches made by United States delegation of businessmen
- (5) Comments by United States Delegation on the summary of the discussion
- (6) Comments by the Swiss Delegate on the conference

- 2) The provision of special facilities designed to improve the liaison between investors and the central administration.
- 3) Promotional measures, both governmental and private, to attract American capital.
- 4) Common capital participation by several countries in the same investment, especially in extractive industries.
- 5) Periodic publication of progress achieved in the liberalisation of regulations.
- 6) Intra-European measures of liberalisation in connection with repatriation of initial capital and the transfer of patent rights and the attendant service charges.
- 7) Agreements permitting the repatriation of earnings and capital by means of the export of the products resulting from the investments.
- 8) Initial exemption of taxation on receipts until the full amortization of the original capital or over a given period.

The conference produced food for thought; immediate practical results could hardly have been expected. If anything, the confrontation of views between United States businessmen, on the one hand, and officials of European countries accompanied by businessmen, on the other hand, confirmed the widely-held view that the trickle of American private capital into Europe is not likely to rise to a flood in present conditions.

The comments made by the Delegation of United States businessmen in their memorandum (document 5) issued after the conference contain a list of useful practical suggestions. The Swiss Delegate in his memorandum (document 6) - very pertinently - makes a plea for the promotion of intra-European capital movements; it is his view, which I share, that once private capital is permitted to move more freely inside Europe, United States private capital may be induced to move more freely into Europe. The upshot of all this is that there is no effective substitute for a system of convertibility permitting a measure of freedom for capital movements.

In statements at the conference I said that the Bank was much interested in the discussion since it was one of our

Mr. Hoar

- 3 -

aims to promote the flow of private international investments. The Bank was making both an indirect and a direct contribution. Indirectly, the Bank contributed by channelling private American savings to Europe and its overseas territories, by financing public services, thus facilitating private investments, especially in underdeveloped territories, by providing investment opportunities through the published reports of General Survey Missions, and (in reply to a question) by our insistence on the "integrity of international financial contracts". Directly, the Bank contributed to the promotion of United States private investments in Europe through various forms of participation on the lines of the KLM loan, the loans to Dutch shipping companies, etc. With the expansion of our activities in Europe and in its overseas territories, there should be further opportunities for the Bank to promote private American investments.

Mr. Pini, the Italian Chairman of Working Party No.6 of the Economic Committee of OEEC, has since thanked me for taking an interest in the conference; he will keep me informed of further developments and invite us to any meetings of his Working Party likely to be of interest to the Bank. For my guidance, I would appreciate having your views on the various suggestions made at the conference.

With best wishes.

Yours sincerely,

*Walter Hill*

Walter Hill  
Special Representative in Europe

Encls.

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 Directly, the Bank contributed to the promotion of United  
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With best wishes.

Yours sincerely,

*Walter Hill*

Walter Hill  
Special Representative in Europe

Encls.

MAR 8 11 56 AM 1954

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<b>File Title</b> Operational - Investments - Promotion and Protection of Private and Foreign Investment - Correspondence - Volume 4		<b>Barcode No.</b>  30357187		
<b>Document Date</b> February 8-26, 1954	<b>Document Type</b> Meeting documents - Agenda, summary, remarks			
<b>Correspondents / Participants</b> Organization for European Economic Co-operation				
<b>Subject / Title</b> Working Party No 6 of the Economic Committee - Meetings of Experts on U.S. Private Investment				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td><b>Withdrawn by</b> Kim Brenner-Delp</td><td><b>Date</b> August 16, 2023</td></tr></table>	<b>Withdrawn by</b> Kim Brenner-Delp	<b>Date</b> August 16, 2023
<b>Withdrawn by</b> Kim Brenner-Delp	<b>Date</b> August 16, 2023			

The Cafe  
Mikhop

I feel that "B" on  
Hills willow is worth  
doing. We already have  
"H" in IFS and C & O  
don't seem of lasting  
value.

WMP

W. Rosen

See left his behind.

I agree with your note above. Let your  
name do a short appraisal  
letter to W.S.

CS

<b>ROUTING SLIP</b>	Date
---------------------	------

NAME	ROOM NO.
<i>N. Rosen</i>	<i>405</i>

Action		Note and File
Approval		Note and Return
Comment		Prepare Reply
Full Report		Previous Papers
Information		Recommendation
Initial		Signature

Remarks

*I have doubts about the last paragraph. Perhaps we could talk about it?*

*[Signature]*

Fr. \_\_\_\_\_

*Private Encl*

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON 25 D. C.

TEL. BABYLONE 17-10  
CABLE ADDRESS-INTBAFRAD PARIS

PLEASE REPLY TO  
PARIS OFFICE ADDRESS  
67, RUE DE LILLE  
PARIS (7<sup>e</sup>), FRANCE

*MA 00 01 25 1954*

January 22, 1954

*Ex*

*M. Lope  
M. Rosen*

Mr. A.S.G. Hoar  
Director of Operations - Europe,  
Africa and Australasia  
International Bank for Reconstruction  
and Development  
Washington, D.C.

*Please see last  
paragraph.*

*26  
i*

*Ans  
20  
14*

Dear Stanley:

With reference to my letter of December 30, the OEEC Secretariat has now prepared the attached table of "regulations governing private American investment in member countries". I have no news as yet about the projected meeting between representatives of American investors and officials of European exchange controls which the OEEC Secretariat is trying to organise.

As I reported in my memorandum of December 29, the Managing Board of EPU has been instructed "to undertake a study with a view to facilitating movements of capital between member countries". As a first step the Managing Board has sent out a questionnaire about the regulations governing the import and export of capital by member countries. The replies to this questionnaire should be interesting. As soon as the replies come to hand, I will have them sent over to you.

We also had a little project. After the completion of our study of export credit facilities available in various European countries, I thought it might be useful to collect such information as might be available in Paris about the organisation, turnover, interest rates and fiscal practice of European markets. Bob Skillings drew up the attached tentative list of headings, but neither he nor Ted Lamont had the time to start this enquiry. All this might usefully have been done by Working Party No. 7 of the OEEC Council as a basis of its work.

*ack. April 20/54*



INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON

TEL. BABYLONE 17-10  
CABLE ADDRESS - INTERBANK PARIS

PLEASE REPLY TO  
PARIS OFFICE ADDRESS  
27, RUE DE LILLE  
PARIS (7<sup>e</sup>), FRANCE

JAN 25 10 06 AM 1954

January 22, 1954

*M. G. H. Hear*  
*M. G. H. Hear*

*[Handwritten signature]*

Mr. A. S. G. Hear  
Director of Operations - Europe,  
Africa and Australasia  
International Bank for Reconstruction  
and Development  
Washington, D.C.

*There are last*  
*paragraphs.*  
*[Handwritten initials]*

*[Handwritten signature]*  
*1/25*

Dear Stanley:

With reference to my letter of December 30, the OEEC Secretariat has now prepared the attached table of "regulations governing private American investment in member countries". I have no news as yet about the projected meeting between representatives of American investors and officials of European exchange controls which the OEEC Secretariat is trying to organize.

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*See reply 30/24*

Mr. Hoar

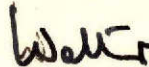
- 2 -

Another project is to ascertain the precise fiscal status of government bonds in our European member countries with a view to obtaining equality of treatment for the Bank's bonds. I understand that this has already been initiated. (I have sent you a copy of a letter I wrote to Mr. Sommers on this subject on January 13, 1954).

There is no point, of course, in our collecting information that may already be available to you in Washington. But if you think that there is something we might usefully do, please let me know.

With kindest regards.

Yours sincerely,



Walter Hill

Special Representative in Europe

Encls



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<b>File Title</b> Operational - Investments - Promotion and Protection of Private and Foreign Investment - Correspondence - Volume 4		<b>Barcode No.</b>  30357187		
<b>Document Date</b> January 21, 1954	<b>Document Type</b> Chart / Table / Diagram			
<b>Correspondents / Participants</b> Organization for European Economic Co-operation				
<b>Subject / Title</b> Working Party No 6 of the Economic Committee - Synoptic Table of Regulations Governing Private American Investment in Member Countries				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
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Topics for Inclusion in Review of European Capital Markets

(Suggested coverage: Belgium, France, Germany, Netherlands, Sweden, Switzerland, United Kingdom)

A. Interest rates and security yields - prewar and postwar to date

Central Bank discounts  
Long-term government bonds  
" " corporate bonds

Stocks

(Sources: International Financial Statistics; OEEC Statistical Bulletin; government statistical bulletins)

B. Volume of new capital issues - prewar and postwar to date

Government bonds  
Corporate bonds

Stocks

(Sources: government and central bank statistical bulletins; for France, publications of Conseil National du Crédit)

C. Government policy and capital market

1. Government interest rate policy.
2. Administrative controls on new issues.
3. Taxation policy (for Germany see 1952 Report of Bank Deutscher Länder).
4. Dividend restraint
  - a) Stemming from official controls.
  - b) Stemming from desire of business to reinvest profits.

①  
② *low to high*  
*dividends*

D. Present climate of capital markets

(Sources for C. and D.: Central and other bank reports; periodicals; conversations with bankers and officials. Research in, for example, the OEEC Library would be useful).

① *credit*  
② *liquidity*

Paris, January 22, 1954



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<b>Document Date</b> Dec. 8, 1956 - Jan. 9, 1958	<b>Document Type</b> Letters			
<b>Correspondents / Participants</b> Hermann J. Abs, Robert L. Garner, President, International Finance Corporation, H. von der Goltz				
<b>Subject / Title</b> [Draft International Convention for the Mutual Protection of Private Property Rights in Foreign Countries]				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
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Sommers' explanation:

This is an entirely new subject.

Generally the Bank borrows on the market and then re-lends ~~to~~ the money; this involves both a guarantee of the bonds (i.e., marketing guarantees) and guarantee of the loan.

But in this case, ~~the~~ it is proposed that both operations be combined into one with the Bank's guarantee. It is both a guarantee of the loan and of the bonds, in reality. He suggested that a new file be set up, perhaps entitled Lending Operations - Transfer Guarantees. He also said to send it to General Files! Whee!!

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP		Date
NAME		ROOM NO.
<del>Mr. Richards</del>		
<del>Mr. Levine</del>		
JW		210

Action	Note and File
Approval	Note and Return
Comment	Prepare Reply
Full Report	Previous Papers
Information	Recommendation
Initial	Signature

in  
orks

Did you ever see this? The author is, I believe, Alexander Wood of Schroeder's. Thanks - Most interesting - it sounds like a real banking transaction!

RR

From  
Arthur Levine

MEMORANDUM

February 4, 1954.

Bancroft and the International Bank

1. I discussed with Iliff in Washington on Thursday, January 28th, the possibility and advantage of the International Bank giving a limited transfer guarantee of a foreign corporate bond, as opposed to an outright guarantee of principal and interest.
2. The mechanics of this would be as follows:
  - (a) A corporation within the sterling area would offer a dollar bond with the full approval of the British Exchange Control. This approval would by necessity involve an undertaking by the British Exchange Control to provide for the dollar servicing, both as to principal and interest.
  - (b) The International Bank would guarantee this undertaking. They would not be asked to give an outright guarantee of principal and interest, so that no British or Colonial government guarantee of principal and interest would be required. The articles of the International Bank are not completely clear but this is probably permitted.
  - (c) The bonds would then be placed with a group of American life insurance companies. This would involve an amendment to the state laws covering the investments of life insurance companies. Although this appears to be a formidable difficulty, I do not think this is necessarily the case. The insurance laws of the important states where insurance companies are domiciled, notably New York, Connecticut, Massachusetts, Illinois and California, were amended shortly after World War II to allow investment by life insurance companies in International Bank bonds, or bonds guaranteed by the International Bank. The amendment required would merely extend this law to cover bonds guaranteed as to transfer by the International Bank. Such amendments appear entirely consistent with the recommendations of the Randall Committee under the headings of "The Role of Public Lending" and "The Role of the International Bank and the Export-Import Bank".
3. The specific security which might be used as a test case are the bonds of the Bancroft Mine. I understand that financing of this mine, which is reputed to be the best copper prospect in existence, will require £12,000,000. About £5,000,000 has already been raised as equity financing, the major part of which is held by Rhokana. I understand that the Anglo-American Corporation of South Africa, who are arranging the financing, would like to arrange for the balance of about £7,000,000 to be borrowed, if possible, in the United States. This is not because dollar expenditures are



involved, but rather the basic inadequacy of the sterling capital markets to meet all commitments, including mining developments in Rhodesia. Protracted negotiations have taken place between the Anglo-American Corporation and the Foreign Operations Administration in Washington with a view to borrowing this amount guaranteed by Rhokana from the Export-Import Bank from U. S. Government funds allocated to the F.O.A. Owing to change of policy in Washington regarding copper developments, it is now doubtful whether funds can be made available from this source irrespective of the quality of the loan. As the Bancroft loan would be guaranteed by the Rhokana Company, it becomes a first-class sterling risk; there is also no question that Bancroft is an important source of new raw materials.

4.

I propose:

- (a) To approach the Anglo-American Corporation when in Johannesburg to see whether they would be prepared to see the Bancroft Mine borrow by means of a loan from American Life insurance companies guarantee/as to transfer by the International Bank.
- (b) If the Anglo-American Corporation is willing to approach the Bank of England, to see whether they would be prepared "to spell out" the dollar transfer undertaking in the form of a transfer guarantee.
- (c) Assuming both the above are satisfactory, to raise this as a serious proposition with the International Bank.
- (d) If the International Bank like the idea, to take the matter to Mr. Douglas to establish whether the Mutual Life would be interested to invest, and if so, whether they would use their influence with the New York State Life Insurance Commissioner with a view to obtaining a change in the New York State Laws. At this stage, it would doubtless be advantageous to obtain support from the F.O.A. and also from the National Advisory Council on International Military and Financial Problems who are the coordinating agency for American interests for policies of the Export-Import Bank and the International Bank.

5.

Were this financing to be arranged, we would thereby open the way to a new form of foreign corporate borrowing in this country.

x Latin America Co.  
x Morton, Coleman

January 7, 1954

Mr. Coleman Morton  
Vice President  
Capital Research Company  
900 Wilshire Boulevard  
Los Angeles 17, California

Dear Mr. Morton,

I am awfully late in answering your letter of October 1 sending me a very interesting memorandum on investment in Latin America.

I found it of great value and sent it around to some of my colleagues, it has only just come back to my desk. Since you are so interested in this matter of foreign investment, I take the liberty of sending you under separate cover a speech that I have made recently on the subject of "climate".

My wife and I have kept fond memories of your welcome in L.A. and wish to be remembered to Mrs. Morton.

With very best wishes for the New Year,

Yours sincerely,

Leonard B. Rist,  
Director, Economic Staff