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ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4549S

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Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: July 19, 2013

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Washington, D.C.

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McNamara Papers

Contracts
Switzerland (1968-1980)

The World Bank Group
Archives



1771198

A1993-012 Other #: 17

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Contacts with member countries: Switzerland - Correspondence 01

DECLASSIFIED

WBG Archives

SWITZERLAND

SWITZERLAND

- 4/26-28/68
(Mont Tremblant
Conference) Victor D. Umbricht, Managing Director, CIBA Ltd., Former
Alternate Director, I.B.R.D. (friend of Shoaib)
1. 5/15/68 Ambassador Schnyder; Mr. Lang, Second Secretary; Mr. Geiser,
Economic Counsellor
- 7/2/68
(Zurich) Dr. Edwin Stopper, President of the Board, Swiss National Bank
- 7/2/68
(Zurich) Dr. Schaefer, Union Bank of Switzerland, and other bankers
2. 10/2/68 **Gabriel Ferras, Managing Director of the Bank for International
Settlements**
- 10/1/68 Dr. Samuel Schweizer, Swiss Bank Corporation
- 3/19/69 Gabriel Ferras, General Manager, Bank for International Settlements
Dr. Multon Gilbert, Bank for International Settlements
3. 4/18/69 Dr. Edwin Stopper, President of the Board, Swiss National Bank
Ambassador Schnyder
- 6/6/69 Hans Peter Kleiner, Neue Zurcher Zeitung (with 11 other newsmen)
- 5/9-11/69
(Bilderberg) **Walter Berchtold, Managing Director, SWISSAIR**
- " Fred Luchsinger, Editor-in-Chief, "Neue Zürcher Zeitung"
- " Olivier Reverdin, M.P.; Chairman, Swiss Federal Research Council
- " Victor H. Umbricht, Managing Director, CIBA Ltd.
- 4/10-12/70
(Ditchley
Conf.) P.R. Jolles, Director, Federal Division of Commerce, Berne
- 5/20-22/70
(Paris) Participants and Observers at OECD Meeting:
- E. Brugger, Federal Counselor, Chief of the Federal Department
of Public Economy
- P.R. Jolles, Director of the Division of Commerce
- M. Heimo, Delegate of the Federal Counsel, Chief of the Permanent
Delegation
- P. Languetin, Delegate of the Federal Council of Commercial Agreements
- F. P. Walthard, Secretary General, Federal Department of Public Economy
- B. Muller, Vice Director of Administration, Federal Finances
- A. Dunkel, Chief of Services of Development, Division of Commerce
- Ph. Levy, Deputy Chief of Service, Regional Economic Cooperation,
Division of Commerce
- Permanent Delegation: A. Hegner
J. Zwahlen
R. Beaujon
J.P. Zehnder

- 6/18-19/70
(Heidelberg) International Meeting on Development Policy:
Ambassador Paul Rudolf Jolles, Director, Division of Commerce,
Federal Department of Economy
Vitori de la Huerta, Geneva
- 4/23-26/71
(Tidewater IV,
Lausanne) Ambassador Paul Rudolf Jolles, Director, Division of Commerce,
Federal Department of Economy
Ambassador Sigismund Marcuard, Delegate for Technical Cooperation,
Federal Political Department
Arthur Dunkel, Chief of Section, Division of Commerce, Federal
Department of Public Economy
E. Brugger, Federal Councillor
P. Graber, Federal Councillor
Jean-Pierre Pradervand, State Councillor
George-Andre Chevallaz, Mayor of Lausanne
- 10/26/71 Ambassador Paul Rudolf Jolles, Director, Division of Commerce,
Federal Department of Economy
- 12/3/71 P. Saladin, Financial Secretary, Embassy of Switzerland
(Meeting of the Consultative Group on International Agricultural
Research)
4. 2/28/72 Hans Böhler, Deputy Director, Federal Division of Commerce,
Department of Public Economy (in charge of Swiss development aid)
Auguste Geiser, Economic Counselor, Embassy of Switzerland
Peter Saladin, Second Secretary, Embassy of Switzerland
5. 9/25/72 Dr. Max Staehelin, Swiss Bank Corporation
Dr. Edgar F. Paltzer, General Manager
Franz Lutolf, Swiss Bank Corporation
- 5/1/73 Ambassador Paul Rudolf Jolles, Director, Division of Commerce,
Federal Department of Economy
12/8,9/73
(Tidewater) Ambassador Paul Jolles, Director, Division Federale du Commerce
- 9/11/74 Mr. Fritz Leutwiler, Chairman of the Swiss National Bank
Mr. Lademann, Director of the Swiss National Bank
- 1/20/75 Ambassador Paul Jolles, Director, Division of Commerce,
Federal Department of Public Economy (Lunch)
- 4/25-27/75 Bilderberg:
(Cesme,
Turkey) Curt Gasteyger, Institut Universitaire de Hautes Etudes
Internationales - Geneva
Erich Gysling, Foreign Department of "Weltwoche" - Zurich
Siegmond Widmer, - Zurich
6. 9/5/75 Ambassador Klaus Jacobi, Delegate of the Swiss Federal Council
for Trade Agreements
Guy Hentsch, First Secretary, Embassy of Switzerland
- 9/28-29/75
(Tidewater,
Germany) Ambassador Paul Rudolf Jolles, Director, Division of Commerce,
Federal Department of Economy

- 4/28/76 Dr. Ing. V. Frey, Managing Director, Escher Wyss, A.G., Zurich
(with Edmund de Rothschild)
7. 6/14/76 Ambassador Raymond Probst
First Secretary Guy Hentsch
8. 10/3/76 Ambassador Klaus Jacobi, Swiss Federation for Trade Agreement
(Manila)
- 12/4-5/76 Paul R. Jolles, Head of Commerce Division, Department of
(Tidewater, Economic Affairs
Japan)
9. 9/22/77 Fritz Leutwiler, Governor, Central Bank
Roger Grossenbacher, First Secretary of Embassy
10. 3/7/78 Alexandre Hay, President, International Red Cross
Michel Veuthey, IRC
Jean-Pierre Hocke, IRC
11. 5/16/78 Paul R. Jolles, Head of Commerce Div., Department
of Economic Affairs
Ambassador Raymond Probst
First Secretary Roger Grossenbacher
- 7/23/79 Spoke at ECOSOC
(Geneva)
12. 7/23/79 Messrs. Jacobi (Commerce Ministry
(Geneva) Heimo (Foreign Ministry)
lunch
- 13 9/18/79 Messrs. Paul R. Jolles
lunch Amb. Raymond Probst
- 14 9/19/79 Amb. Paul Jolles, Department of Economic Affairs
- 15 10/4/79 Amb. Paul Jolles, Sec. of State for Foreign Economic Affairs
annual Mr. Leutwiler, President, Swiss National Bank
meeting
- 6/19/80 Farewell Reception at Embassy for Ambassador Probst
16. 10/1/80 Amb. Jolles, Secretary of State for Foreign Affairs
Annual Mr. Leutwiler, President, Swiss National Bank
Meeting Amb. Probst
Mr. Grossenbacher, First Secretary, Swiss Embassy
17. 11/28-29 Fritz Honegger, Minister of the Economy
1980 Willi Ritschard, Minister of Finance
(Berne) Pierre Aubert, Minister of Foreign Affairs
Fritz Leutwiler, National Bank President
Paul Jolles, State Secretary

5/13/81

Ambassador Paul Jolles (At lunch)



May 15, 1968

MEMORANDUM FOR THE RECORD

During a conversation this morning with the Swiss Ambassador, I stated that we were very grateful for the opportunities his government had provided us to raise funds in the Swiss market, and we hoped it would be possible to market new issues totaling \$45-50 million in the Swiss market in the twelve months beginning July 1 of this year.



Robert S. McNamara

Mr. Steckhan May 14

Ambassador Schnyder will be accompanied by
Mr. Lang, Second Secretary at Embassy, and

Mr. Geiser, Economic Counsellor at Embassy
for tomorrow's meeting w/Mr. McNamara

Mr. McNamara:

muriel

For your 12:15 meeting with
the Swiss Ambassador, please.

ABS 5/14

Switzerland

Convention on Settlement of Investment Disputes

Switzerland is the 40th country to ratify. Only Bank members may become parties to Convention as of right. Switzerland was invited to become a party by decision of the Administrative Council in February 1967.

Not a member of Bank and IDA

As long as Switzerland does not join the Fund, it cannot legally become a member of the Bank and IDA.

Cooperation with Bank

In 1951 the Bank and Switzerland entered into a relationship agreement under which we were granted, among other things, tax reductions in connection with the issue of our bonds in the Swiss market.

World Bank Swiss franc bonds outstanding as of May 15, 1968 amount to \$205 million equivalent.

We just did a Swiss franc 75,000,000 issue and hope to do another one in the same amount in the fall. (Sw.fr. 100,000,000 of our bonds is maturing during calendar 1968).

Cooperation with IDA

Switzerland is lending IDA the equivalent of approximately \$12,000,000 on IDA terms. This amount is part of the \$1,200,000,000 IDA replenishment package. However, the Swiss loan is unconditional; the instrument of ratification was recently deposited with us.

Bank/IDA benefits for Switzerland

For purposes of Bank/IDA procurement Switzerland is treated on the same basis as member countries.

[Handwritten signature]

May 15, 1968

[Handwritten notes in left margin: "1-18 mds", "3/1", "15/3"]

Switzerland X

Mr. McNamara - to see please.
WBS 10/10

FORM NO. 58

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OFFICE MEMORANDUM

TO: Mr. Rainer B. Steckhan

DATE: October 9, 1968

FROM: Denis Rickett

DWR

SUBJECT: Annual Meeting - 1968 - Records of Interviews

I attach below notes on the talks between Mr. McNamara and the Finance Ministers of the Netherlands, Belgium and the United Kingdom, and the Managing Director of the Bank for International Settlements and the Governor of the Bank of England.

These notes have been cleared with Mr. Aldewereld in those cases where he was present at the talk.

Attachments

President has seen

ANNUAL MEETING - 1968

BANK FOR INTERNATIONAL SETTLEMENTS

Mr. Gabriel Ferras, Managing Director of the Bank for International Settlements, called on Mr. McNamara at the Bank on Wednesday, October 2 at 12.30 p.m. Mr. S. Aldewereld and Sir Denis Rickett were also present.

Mr. McNamara said that as President of the World Bank he would be grateful to Mr. Ferras for any advice which he could give from time to time about the markets in which the Bank would best be able to raise funds either through public issue or through the sale of two-year bonds of the Central Bank. He was not thinking at this stage of any action by the BIS to find new holders for two-year bonds which other holders wished to dispose of but only of some indication of the most likely purchasers.

Mr. Ferras said that he would be very willing to help in this way. It was the function of the BIS to act as an intermediary between central banks and other financial institutions and he thought that the BIS might be able to play a part in ensuring the ready marketability of World Bank bonds. At the present time, however, BIS were heavily committed to the operation for the support of sterling and deposits which they would receive from sterling area monetary authorities which had been converted from sterling into dollars would be reluctant to central banks belonging to the BIS group.

Mr. Ferras concluded by extending an invitation to Mr. McNamara to pay a visit to BIS at Basle at the time of one of their monthly board meetings. He added that Mr. Aldewereld and Sir Denis Rickett would also be very welcome.

DR/mt
10/8/68

Prepared by Sir Denis Rickett

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 1 1968

FROM: Irving S. Friedman

SUBJECT: Mr. Gabriel Ferras and the B.I.S.

ISF

Mr. Gabriel Ferras, the General Manager of the Bank for International Settlements in Basle, Switzerland, is French by birth, and had a successful career in the Bank of France. He was called to the BIS in 1963, from his position of Director of the European Department in the IMF, after serving as my Deputy for about five years.

As Managing Director, he is the chief executive officer of the BIS - working with a management including an American as economic adviser and a German as head of the Banking Department (Dr. Milton Gilbert and a Dr. Hans Mandel, both attending this meeting with Mr. Ferras). The management serves under a Board of Directors presided by the Governor of the Netherlands Bank and including the Governors of the central banks of Belgium, England, France, Germany, Sweden and Switzerland, meeting regularly on the second Monday of every month.

The Bank for International Settlements was originally established in 1929 to handle the receipt and transfer of German reparations, with the participation of European and other central banks (the Federal Reserve Bank of New York refrained from joining it and the Bank of Japan joined at its founding, but withdrew at the end of the Second World War). Although the original purpose came to an early end, in 1931, the Bank developed into a banking intermediary and service agency for European and other central banks. In the thirties it handled special accounts related to currency stabilization credits, and after hibernating during the World War II (under the trusteeship of the Swiss National Bank) and an unsuccessful attempt at Bretton Woods to terminate it, it regained a role in world finance with its appointment as "agent" of the European Payments Union in 1950. Since then, its rise has been continuing - in 1960 the Federal Reserve began to be represented regularly at the monthly board meetings by the Vice President of the Foreign Department of the New York Bank. These meetings have since provided the most important channel of communication and consultation among banks.

In addition to handling balances and investments on behalf of its members and other "accepted" central banks (in gold and the currencies of its members), the major function is that of intermediary - assisting and participating in international monetary operations. Thus, the BIS is part in the "swap" network between the Federal Reserve and the European and other central banks, providing direct credits and also arranging for the exchange of "available" currencies for the "currency needed" in support of the dollar in the key exchange markets of Europe. The BIS has provided a place for various central banks' arrangements of support to sterling and for the funding of short-term credits into a long-term arrangement this year. It is also a convenient meeting place between the central banks of the West and the East, facilitating the re-entry of the latter into the money markets of Western Europe and the flow of East-West trade.

You will recall that we discussed by telephone with Ferras in connection with the Bank of Canada purchase of our two-year notes, the possibility that the BIS could conceivably help World Bank financing by investing some of its own funds in two-year bonds, and under proper arrangement, in "making a market" for such securities, absorbing offerings from central banks in need of liquidity and finding placements in accounts of other central banks with rising liquidity.

OFFICE MEMORANDUM

TO: Files
FROM: Denis Rickett

DATE: April 18, 1969

SUBJECT: Dr. Stopper's Visit with Mr. McNamara

Dr. Stopper, the President of the Swiss National Bank, who was accompanied by the Swiss Ambassador, came to see Mr. McNamara this afternoon. Mr. Aldewereld and Sir Denis Rickett were also present.

2. Mr. McNamara began by saying how grateful he was both to the Swiss National Bank and to the Swiss Government for the support and wise counsel which they had given to the World Bank and to I.D.A. He very much welcomed this opportunity to talk with Dr. Stopper who had such a wide knowledge of the international capital markets and would like to have his assessment of the way in which they might develop, say, in the next 15 months. The World Bank had had considerable success in raising funds in the capital market not only in the United States but in Europe and the Middle East. The German market, in particular, had provided them with substantial amounts. As a result the Bank's cash and liquid securities had risen since the beginning of this fiscal year by some \$400 million to a level of about \$1.8 billion, thus reversing the trend of the last few years. These substantial liquid assets made it possible for the Bank to be more selective as regards the times at which it went to the market for fresh borrowing.

3. Dr. Stopper said that it was difficult to look as far ahead as 15 months but over, say, the next year, the situation in the world capital markets would continue to be dominated, first, by the monetary policy pursued by the U.S. authorities and, secondly, though to a lesser extent, by economic conditions in Germany. He did not think that the U.S. authorities could maintain the present very tight conditions for long. It was possible that if price stability was to be restored in the United States there would have to be something of a recession. One could not always get a smooth transition from excess demand to a state of balance. In Germany the government would eventually have to choose between some upward adjustment of costs and prices or, on the other hand, revaluation of the Deutsche Mark. Hitherto, the German Government, faced with a very large surplus on the current account on the balance of payments, had been trying to keep their overall payments in balance by encouraging foreign lending. It did not follow, however, that a current account surplus would be matched by long-term savings of an equal amount. The high level of foreign lending in Germany had, therefore, almost inevitably led to some rise in interest rates. The German capital market was, in any event, not well organized. Something like 50% of new issues remained in the portfolios of the banks who financed their holding by taking deposits from German industry. It did not follow that these deposits would continue to rise at the present rate and the banks might then find themselves in a somewhat illiquid position.

President has seen

4. Dr. Stopper said that there was a close connection between the German and the Swiss capital markets. Some 30% of the amount of new foreign issues floated in the German market were, in fact, taken up by subscriptions from Swiss banks though he did not suggest that these subscriptions originated entirely from the Swiss economy. The relation between the Swiss and German markets was somewhat unusual at the present time in that while there was still a substantial interest rate differential, there was no longer such a strong preference for the Swiss Franc as an investment currency because of the possibility of a revaluation profit on holdings of DM obligations. This, in his view, was the main cause of the relative failure of the World Bank bond issue in Switzerland earlier this year. The plain fact was that the Swiss banks responsible for the issue had misjudged the market. The criticisms of World Bank policies which had found their way into the press seemed to be due as much as anything to feelings of pique on the part of some Swiss bankers.

5. After Mr. McNamara and Mr. Aldewereld had outlined the history of the discussions leading to the fixing of the terms of the Swiss issue, Mr. McNamara said that it was always possible for anyone to make a mistake in judging the market. What had annoyed him was the attempt of some of the Swiss bankers to put the blame for their mistake elsewhere.

6. Dr. Stopper observed that: a) this was now past history so far as the World Bank was concerned but Mr. McNamara should feel sympathy for him since the Swiss bankers in question were his customers with whom he had to deal all the time; [b) by their public statements after the "failure" of the World Bank issue, they were taking "revenge" on Woods and McNamara.] The Swiss National Bank had made a point of including in its Annual Report a reference to this episode so that the true facts might be on record.

7. Mr. McNamara said that he was extremely grateful to Dr. Stopper for doing this and also for the frankness with which he had expressed his view of the matter to Mr. Aldewereld and to Sir Denis Rickett in the discussions which they had had with him in Zurich at the beginning of the year. He would look forward to having a further talk with Dr. Stopper whenever he was in Washington and, in any event, at the time of the next Annual Meeting. The Bank was now working on a revision of their five-year projection of lending operations. These were expanding very satisfactorily and broadly in accordance with the forecast which he had given at the last Annual Meeting. He had been impressed with the much higher quality of the projects coming forward for approval by the Bank, many of which had to be rejected in favour of others of still higher quality. Staff recruitment had gone forward very satisfactorily. So had the raising of funds in the capital markets though the failure of the U.S. Government so far to ratify the Second Replenishment of I.D.A. had been a disappointment. It had been all the more helpful that other governments, including the Swiss Government, had given I.D.A. such strong

April 18, 1969

support. He looked forward to the time when the Swiss Government would become, in form, as well as in substance, a member of the World Bank Group.

8. Dr. Stopper said that had it been possible to be a member of the Bank alone, they would probably have joined long ago. The difficulty was that it was necessary for Switzerland to be a member of the Fund also and, if her quota were to be in relation to her true weight in international monetary affairs, it would probably have to be substantial. He understood that on past precedents there had to be a fixed relationship between a member's quota in the Bank and in the Fund. This seemed inequitable in the case of Switzerland since it would imply a larger subscription by her to the Bank's capital than would be warranted by her economic position.

9. Mr. McNamara said that he would be glad to look into this question and discuss it with the Managing Director of the International Monetary Fund.

c.c. Mr. McNamara
President's Council
Mr. Rotberg
Mr. Karasz (Paris Office)

4

501

FEB 23 REC'D

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 23, 1972

FROM: S.R. Cope

SUBJECT: Visit of Minister B hler of Switzerland

1. Minister Hans B hler of Switzerland is to see you on Monday, February 28, 1972 at 5:00 p.m. in your office. He will be accompanied by H.E. Felix Schnyder, Ambassador of Switzerland, and Mr. Geiser and Mr. Saladin. A list of Minister B hler's appointments is attached.

2. Minister B hler is Deputy Director of the Federal Division of Commerce, Department of Public Economy and de facto in charge of Swiss development aid. Messrs. Geiser and Saladin are Economic Counselor and Second Secretary of the Swiss Embassy, respectively. Background sketches on each are annexed. The Swiss Ambassador you know.

3. I understand that Minister B hler is bringing a list of the following questions:

- (a) The objective of the Bank to double lending in the five-year period 1969-1973 compared with the period 1964-1968 is, according to available figures, likely to be achieved. Are there already set goals for expansion in the period 1974-1978?

In this context what could be the implications of the delay in the third replenishment of IDA?

- (b) What are the prospects for the next (fourth) replenishment of IDA (period, amount)? Will the pattern of the past replenishments be maintained?
- (c) Does the new orientation of the Bank's operations (shifts in the distribution of loans and credits among the various economic sectors; shifts in the geographic distribution of lending) imply greater emphasis in the activities of IDA and to what extent?

To what degree could regular Bank financing be used to develop this program?

- (d) From the point of view of the Bank, which patterns would be possible for joint financing actions IDA-Switzerland?

President has seen

- (e) What kind of special actions in favor of the least developed countries could the Bank undertake in the future?
- (f) Aid coordination on a more general level through consortia and consultative groups is about to be strengthened by coordination on the local level. Should there be, in the view of the Bank, new actions in this field either on the basis of the existing instruments or by new means of coordination?
- (g) Since 1970 the Bank has issued several times Five Year Notes (in USA, Netherlands, Switzerland) which were offered to commercial banks and other financial institutions as attractive intermediate-term bonds. What are the implications of this policy on the financial status of the Bank?
- (h) What can and will the Bank do for the immediate needs and the reconstruction of Bangladesh as long as the latter is not a member of the Bank? What are the prospects at longer term, in this context?

4. Most of these questions will have been touched on by the various people Minister Bllhler is seeing prior to your meeting.

Attachments



DFWittusen:as

Biography

B u h l e r Hans, Minister Plenipotentiary

Deputy Director, Federal Division of Commerce

Born November 20, 1907 in Berne

Studied Law, Universities of Berlin and Berne, Barrister degree 1936

- 1940 Legal advisor, Federal Office for Import and Export Control
- 1942 Division of Commerce, in charge of blockade and counterblockade
- 1947 Head of Section, in charge of economic relations with all sterling area countries
- 1955 Head of Sub-Division
- 1960 Deputy Director
- 1961 Chairman of Export Risk Guarantee Committee
- 1969 Minister Plenipotentiary
- 1970 Chairman of Investment Risk Guarantee Committee

At present dealing with:

- economic relations with former sterling area (plus Lebanon, Egypt, Syria, Iran, Thailand, Indonesia, Philippines)
- Export Risk Guarantee
- Investment Risk Guarantee
- Financial Aid to Developing Countries

Biography

Geiser Auguste,

Economic Counselor of Embassy of Switzerland

Born May 6, 1916

- 1939 Licencie en droit of the Faculte de Droit, Paris
- 1941 Following commercial and banking activities,
entered Federal Department of Public Economy, Berne
- 1945 Federal Political Department, Berne
- 1952 Second Secretary, Legation of Switzerland, Ottawa
(First Secretary, 1955)
- 1954 Delegate to 8th Session ICAO, Montreal
- 1958 First Secretary, Legation of Switzerland, Prague
(Charge d'Affaires, a.i. April 1960 - March 1961)
- 1961 Deputy Chief, Finance & Economics Section, Political
Department, Berne
- 1964 (May-November) Chief Swiss Delegation, Neutral
Nations Supervisory Commission, Korea
- 1966 Chief of Section, Division of Commerce, Department
of Public Economy
U.S. Desk & Member of the Swiss Delegation to
the Kennedy Round
- 1968 Economic Counselor, Swiss Embassy, Washington

Biography

S a l a d i n Peter,

Second Secretary of Embassy of Switzerland

Born May 30, 1940

Graduate of the Swiss School of Economics and Public
Administration, St. Gall

1965 Licentiate political economy

1969 Doctorate political economy

1969-1971 Federal Department of Public Economy

1971 Member of the Swiss Investment Risk Guarantee Committee

1971 Alternate Representative of Switzerland in the
Administrative Council of the International Center
for Settlement of Investment Disputes

Schedule of Appointments for
Minister Bühler of Switzerland

Friday, February 25:

- 10:00 a.m. Mr. S.R. Cope, Deputy Chairman, Loan Committee (B-1210) - Introduction*
- 10:15 a.m. Mr. J. Burke Knapp, Vice President and Chairman, Loan Committee (A-1230)*
- 10:30 a.m. Messrs. Cope, J.H. Williams and Dag F. Wittusen, Front Office, Loan Committee (B-1210) - Joint and Parallel Financing
- 11:30 a.m. Mr. Aron Broches, General Counsel (A-813) - International Center for Settlement of Investment Disputes
- 1:00 p.m. Luncheon, Executive Dining Room, IMF. Sir Denis Rickett, host
- 2:30 p.m. Sir Denis Rickett, Vice President (A-1230) - IDA Replenishment*
- 3:30 p.m. Mr. Harold N. Graves, Associate Director, Development Services Department (D-1122) - Agricultural Research
- 4:30 p.m. Mr. William S. Gaud, Executive Vice President, IFC (A-900)

Monday, February 28:

- 9:30 a.m. Mr. Dieter Hartwich, Deputy Director, Europe, Middle East and North Africa Department (A-712) - Tunisia
- 10:15 a.m. Mr. Gunter K. Wiese, Deputy Director, South America Department (A-837) - Ecuador
- 1:00 p.m. Informal luncheon, Executive Dining Room E, Bank. Mr. S.R. Cope, host
- 2:30 p.m. Mr. Raymond J. Goodman, Director, East Asia and Pacific Department (C-602) - Indonesia
- 3:15 p.m. Mr. Goodman and Mr. Robert Sadove, Director, Special Projects Department (A-210) - Mekong Basin
- 4:30 p.m. Mr. S. Aldewereld, Vice President - Finance and Director, Projects (A-1226) - Bank Borrowings
- 5:00 p.m. Mr. Robert S. McNamara, President (A-1230), with the Ambassador of Switzerland, Messrs. Geiser and Saladin

Thursday, March 2:

- 3:00 p.m. Mr. Richard H. Demuth, Director, Development Services
Department (D-1128) - Consultative Groups and Aid
Coordination
- 4:00 p.m. Michael L. Lejeune, Director, Eastern Africa Department
(A-1013) - Ethiopia, Kenya, Rwanda

NOTE:

Minister B hler will be accompanied at all meetings by Mr. Peter Saladin,
Second Secretary, Swiss Embassy. In addition, Mr. Auguste Geiser, Counselor,
Economic Affairs, Swiss Embassy, will attend those meetings marked with a *

DFWittusen
2/23/72

Boards of Governors · 1972 Annual Meetings · Washington, D.C.

INTERNATIONAL MONETARY FUND

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

Address replies to:

JOINT SECRETARIAT - ANNUAL MEETINGS
IMF - IBRD AND AFFILIATES
19TH AND H STREETS, N.W.
WASHINGTON, D.C. 20431

Cable Address:

INTERMEET
WASHINGTONDC

September 26, 1972

Memorandum of a meeting with Prof. Dr. Max Staehelin, new
Chairman of the Swiss Bank Corporation, Dr. Paltzer and
Mr. Lutolf of the Swiss Bank Corporation

September 25, 1972

Present on the part of the Bank: Mr. McNamara and Mr. Aldewereld.

Mr. McNamara asked for Prof. Staehelin's views on the relations between the Swiss Bank Corporation and the World Bank, to which Prof. Staehelin answered that these relations were excellent. The conversation then turned to the proposed Swiss franc public issue. The Swiss bankers, when asked by Mr. McNamara what they thought of the prospects for this issue were, said the issue will go well, specially since we had decided to postpone the DM issue.

Mr. McNamara expressed the hope that over time we could reduce the time lag between setting the conditions on a public issue in Switzerland and the time we would actually go to the market, thus reducing the risk of a failure. The Swiss visitors said they would consider this matter.

They also gave their view on the Swiss capital market in general; they said it is a two-tier market because, for political reasons, the Swiss Government keeps interest rates low domestically, whereas the Swiss investors also could invest their money in higher yielding securities in other countries in Europe.

cc: Mr. McNamara
Mr. Rotberg

SAldewereld:mc

6.

MEMORANDUM FOR THE RECORD

Meeting with the Swiss, September 5, 1975

Present: Messrs. McNamara, Cargill, Amb. Klaus Jacobi, Delegate of the Swiss Federal Council for Trade Agreements, and Guy Hentsch, First Secretary Swiss Embassy

Mr. Jacobi said that the Bank would be given the same privilege on the bonds issue tax as was given to regional banks in which Switzerland was a member. Switzerland was now highly liquid and was interested in exporting capital. Mr. McNamara said that we were grateful for the opportunity to tap the Swiss capital market and would like to take maximum advantage of this. He asked whether Switzerland received large deposits from OPEC. Mr. Jacobi said that they were not as large as expected.

Mr. Jacobi said that the referendum against 4IDA was of great concern to him. He would appreciate the Bank's help on several issues which might arise during the campaign. It could probably be shown that Swiss procurement from IDA funds was larger than the Swiss contribution. This matter should not be overplayed but it was an important element in obtaining support from industry. Mr. Hentsch would see Mr. Goodman to obtain the relevant data. The lack of OPEC contribution to 4IDA was also problematic. Mr. McNamara said that the answer on this issue was that 4IDA had been negotiated before the oil price increase and that OPEC had shown its goodwill by initiating the Third Window. He added that the Bank would do everything it could to help in the campaign, both from Washington and through the Paris Office. Mr. Jacobi hoped that he could say during the campaign that, although Switzerland was not a member of IDA, it was consulted on IDA and could react to Board decisions. Mr. McNamara said that this statement was correct and could be used in the campaign.

Mr. Jacobi asked about VIDA. Mr. Cargill said that he would write the Governors on September 15 and plan the first meeting of Deputies on November 26, 1975, in Paris. He would visit the Arab countries in the meantime. The next meeting was planned for February/March 1976. If no agreement had been obtained by end of June, 1976, there probably would be no agreement and we would face a hiatus in IDA at the end of June 1977. Mr. Jacobi said that the formula which had been used in Nairobi by which donors were committed to submit legislation but not to specific amounts would be preferable for Switzerland. Mr. McNamara said that this formula could be followed for VIDA.

Mr. Jacobi said that Switzerland would contribute SF15 million to the Third Window's Subsidy Fund.

SB
September 8, 1975

7

OFFICE MEMORANDUM

TO: Files

FROM: William Clark *WCL*

SUBJECT: Call of the Swiss Ambassador

DATE: June 15, 1976

The Swiss Ambassador accompanied by M. Guy Hentsch called on Mr. McNamara to explain the results of the Swiss Referendum which defeated the Government's proposal for an \$80 million loan to IDA IV.

He was very apologetic at the disastrous decision which harmed Switzerland, the Swiss Government, and the Bank. He asserted that it would not affect the Swiss attitude to Development Aid. But he made it clear that Switzerland was now precluded from making its loan/contribution to IDA IV, and while it would continue to attend the IDA Deputies Meeting it could not contribute to IDA V.

Mr. McNamara enquired whether there was any way round this since the loss of \$80m was very severe for the Bank's 1977 program and especially for the poorest people in the world. Specifically he asked if the loans could be transformed into 14 year loans not subject to referendum. The Ambassador replied that his Government would be looking into everything, but must avoid a direct defiance of the democratic vote.

The Ambassador said the Government had tried very hard to swing public opinion, and was greatly helped by the World Bank's Information effort, and particularly the Paris Office which had collaborated very fully. Now there was the question of the Bank's reaction to the referendum defeat; the Swiss Government would quite like to see some statement of strong regret from Mr. McNamara so long as it did not blame the Swiss voter.

It was agreed to draft a reply from Mr. McNamara to the official notification from the Swiss Government. This could be made public. It would emphasise the damage done to the poorest and most vulnerable people.

The question of denial of procurements was raised and Mr. McNamara said he was disinclined to press this point, but it was still under consideration.

WDC:sf

cc. Mr. J.E. Merriam

Mr McNamara
Mr Cargill

Files

June 16, 1976

Piero Sella, Legal Department

IDA IV - Switzerland - Meeting of June 14, 1976

A meeting was held in Mr. Knapp's office to consider some implications of the Swiss referendum which rejected the proposed SwF 200 million loan from Switzerland to IDA, which was to be part of the Fourth Replenishment.

There were present, in addition to Mr. Knapp, Messrs. Baum, W. Clark, Gabriel, Goodman, Nurick and Sella.

Mr. Clark provided some information on the number of votes cast (about 34% of the eligible votes), the concentration of majorities for the loan in only four cantons (Geneva, Basle-City, Neuchâtel and Ticino) and the support the loan had received from the Government and from industrial circles.

Mr. Knapp raised the question whether Swiss procurement should be excluded from financing under credits made out of the Fourth Replenishment resources.

In this connection, it was recalled that in 1961 the Executive Directors had decided to open procurement under IDA credits to all Bank members and Switzerland and not to restrict it to IDA members only, at least initially. This decision had not been reconsidered by the Executive Directors since 1961.

Mr. Knapp pointed out that any restriction on procurement might adversely affect IDA borrowers, which might not obtain the lowest price for the goods they purchase. Mr. Baum remarked that this line of argument would justify extending procurement outside the present circle (e.g. COMECON), a course he would not recommend.

Mr. Nurick stressed the fact that any restriction on Swiss procurement could apply only to future credits, since our existing credit agreements entitled the borrower to purchase goods in Switzerland.

Mr. Sella recalled that in 1961, one of the main arguments for opening procurement to all Bank members and Switzerland was that joint financing by the Bank and IDA would be hampered if two sets of procurement rules were to apply to the two sources of funds. Mr. Baum added that, even in the absence of joint financing, two sets of procurement rules might create confusion in the minds of the borrowers and the Bank staff alike.

Mr. Knapp also raised the question whether the exclusion of Swiss procurement because of the lack of a Swiss loan contribution to the Fourth Replenishment should not logically lead to the exclusion of procurement of Bank members which had not joined IDA (e.g. Venezuela, Portugal, Romania) or whose contribution to IDA was considered insufficient (e.g. some other OPEC countries). Mr. Nurick thought that a distinction could be drawn between a member of the Bank group and a non-member such as Switzerland. He also pointed out that the Swiss contributions to IDA were reimbursable and that the hope that they would be eventually converted into non-reimbursable

contributions had been dimmed by the referendum.

Mr. Clark remarked that the experience of the Regional Banks in conditioning procurement in industrialized countries to their financial contributions, although effective in securing additional finances, had created some strong resentment in many of those countries.

He suggested that the Swiss Government be asked whether the threat of a restriction of Swiss procurement would strengthen their hand in trying to overcome the negative attitude of the Swiss electorate or would rather make future contributions by the Swiss authorities even more difficult.

Mr. Goodman inquired whether alternative forms of financing could be considered in our discussions with the Swiss Authorities. Mr. Clark replied that, although an interest-free loan to IDA with a maturity of less than 15 years would not be subject to referendum, the Swiss Government would probably be unwilling to propose such a course of action to the Federal Parliament after the defeat of the 50-year loan in the referendum.

The discussion then turned to the prospects for a Swiss contribution to the Fifth Replenishment and the consensus was that the prospects had been seriously and adversely damaged by the referendum. The participants agreed, however, that the attitude of the Swiss Federal Government towards the Bank group, and IDA in particular, had been very cooperative and ways should be explored to reverse the present set-back.

In concluding, Mr. Knapp remarked that the matter would have to be considered further after he had talked with the President, who was to receive a visit from the Swiss Ambassador.

Cleared with Mr. Knapp

cc: Messrs. Baum
W. Clark ✓
Gabriel
Goodman
Nurick

PSells/ar

8

MEMORANDUM FOR THE RECORD

Meeting with Swiss Delegation
October 3, 1976

Present: Messrs. McNamara, Cargill and Jacobi (Swiss Federation
for Trade Agreement)

Mr. Jacobi said that the Swiss Government would present a bill for 180-M Swiss Francs technical assistance and 60-M Swiss Francs financial aid for developing countries to the Swiss Parliament, along with two separate bills for the soft loan funds of the Asian Development Bank and the African Development Bank. These two latter bills would be a test case for the Parliament's reaction to multilateral aid. The most serious effect of the referendum on IDA in June 1976 was that the vote had been against multilateral aid in general and the World Bank in particular. The mood for development assistance was not propitious in Switzerland at this moment because of the difficult budgetary situation. A referendum on the introduction of value added tax would take place in June 1977, and it would be difficult to have any aid bills passed before then.

Turning specifically to IDA, Mr. Jacobi said that Switzerland would be represented by an observer in Kyoto who would be instructed to say that it would be inappropriate for Switzerland to participate in IDA 5 at this stage. However, with increasing pressure from the Development Committee and the North South Dialogue for DAC countries to participate in IDA 5, it would be increasingly difficult for Switzerland to stay out. He wondered whether it might be possible to have an "unassigned amount" in IDA 5 for possible subscription by Switzerland at a later stage. Mr. McNamara felt that this was a good idea, and said that IDA 5 was the key provider of concessional assistance to the poorest countries. If Switzerland would not participate in IDA 5, it was not participating in any meaningful way in assisting the poorest.

Mr. Jacobi said that it would of course be impossible for Switzerland to participate in IDA 4 but that he fully realized that IDA would be lacking the 200-M Swiss Francs which had originally been negotiated. He was wondering whether projects appraised by IDA could be financed exclusively with Swiss bilateral aid funds, without mentioning IDA's involvement in the preparation of the project. Another possibility for discreet Swiss participation in IDA would be to create a trust fund, but since the Bank would administer such a fund, the link between IDA and Switzerland might be too obvious.

Mr. Jacobi said that further Bank Bond issues in Switzerland presented no problem and would be welcomed. He wondered whether contributions to the Third Window would be helpful. Mr. McNamara said that it was unlikely that the Third Window could continue, and that contributions could conflict with the IDA replenishment and the capital increase of the IBRD.

Mr. Jacobi said that the Swiss authorities would understand if IDA denied Switzerland access to procurement under IDA 5. Such a decision could in fact become an incentive for Swiss industry to give support to IDA. Mr. McNamara said that he had been reluctant to move in that direction but that this might now become necessary.

Mr. Jacobi said that Church and leftist organizations in Switzerland had been against Swiss support for IDA, and suggested that a public information campaign might change their opinion. Mr. McNamara said that the Bank was more leftist than any other group in OECD, and strongly agreed with Mr. Jacobi's proposal. Mr. McNamara said that he would ask Mr. Clark to follow-up on this and that he would personally monitor the situation. It was agreed that this matter would be most appropriately handled through the Swiss Embassy in Washington.

SB

October 4, 1976

9.

MEMORANDUM FOR THE RECORD

Meeting with the President of the Swiss National Bank, Mr. Leutwiler, September 22, 1977

Present: Messrs. McNamara, Leutwiler and Grossenbacher, Counselor at Swiss Embassy

The economic situation in Europe was briefly discussed. Mr. Leutwiler said that Germany was reluctant to increase its growth rate. The general feeling was that a 1% increase in the growth rate would lead to a 2% increase in the inflation rate and that was considered too costly politically. Switzerland had recently revised its growth rate for 1977 upwards and had managed to handle a potential unemployment problem by dismissing foreign workers. The record on inflation was very good indeed. It had been decreased from 12% two years ago to 1% at present.

Mr. McNamara thanked Mr. Leutwiler for the support we consistently had received from him for our borrowing program in Switzerland and on other matters. He felt that the Bank Group was doing well financially. Our spreads vis-a-vis the U.S. Treasury were declining and we were happy to have the support of the Carter Administration. On operations we were also making progress, and through the operations evaluation system we were learning from both our successes and failures.

Mr. Leutwiler enquired about our borrowing from capital-surplus OPEC countries. He said that the Swiss authorities would welcome borrowing in Swiss Francs, even in large amounts and that this might be acceptable to the Arabs. Mr. McNamara said that Kuwait wanted to establish the Dinar as an international currency and that we might have some difficulties there. On the other hand, the proposal for lending in Swiss Francs might be acceptable to the Saudi Arabians and he would take up this matter with Mr. Al-Quaraishi during the Annual Meeting.

Mr. Leutwiler said that the Swiss authorities had written Mr. Brandt offering him to pay for the facilities of the Brandt Commission if the facilities were located in Geneva.

Mr. Leutwiler said that the Swiss were interested in doing cofinancing with the World Bank Group. Mr. McNamara happily received the offer and said that Mr. Jolles would be approached by Messrs. Knapp and Hornstein on this matter.

cc: Mr. Knapp
Mr. Rotberg
Mr. Clark

SB
September 27, 1977



LE PRÉSIDENT

Geneva, 10 February 1978

Dear Mr. McNamara,

From 6 to 11 March I shall be in Washington on an official visit where I hope to meet the President of the United States. From Washington I shall go to New York to confer with the UN Secretary-General.

I should very much like to meet you during my stay in Washington, if this is possible for you. I am well aware of your interest in humanitarian problems and have read the report by our Director of Operations, Mr. J.-P. Hocké, on your wish, as conveyed by Dr. H. Janssen at the September 1977 symposium for better co-operation between the Bank and the VOLAGS.

I would therefore be very much obliged if you could contact Mr. Frank Sieverts at the States Department to let him know whether you feel an encounter could be arranged.

Yours sincerely,

Alexandre Hay
Alexandre Hay

Mr. Robert S. McNamara
President
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

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MEMORANDUM FOR THE RECORD

Meeting with Mr. Jolles, Switzerland, May 16, 1978

Present: Messrs. McNamara, Jolles, Ambassador Probst and Mr. Grossenbacher

Mr. Jolles reported on the recent meeting of the UN Overview Committee in New York: at first a good dialogue and dispassionate analysis had developed; G-77 apparently realized that their hand was no longer as strong as immediately following the oil crisis. However, then a diversion took place: because of the need for a conclusion, a typical UN-type draft resolution was developed in a meeting lasting until 5:00 a.m. The G-77 wanted a report on commitments but the final resolution contained no agreement. The session would be resumed in September. The Chairman proved to be very intelligent but not independent enough. The influence of the Eastern European countries had been negative; however, there had been general laughter as these countries advanced their resource transfer ideas. On private investment he had tried to make the point that, if the LDCs considered this to be a useful concept, incentives and encouragement to the investors had to be provided. Private investment in LDCs had been dropping since 1976 and there was increasing reluctance in Switzerland in spite of considerable liquidity and availability of investment resources. Mr. McNamara said that even a small country could control a multinational. These companies did not go in for a "quick killing." They rather were interested in developing a long-term relationship over, say, 25 years. This led to mutuality of interests.

Mr. Jolles enquired about Mr. McNamara's opinion on raw materials and the Common Fund concept. Mr. McNamara replied that the Bank had not pursued the raw materials price stabilization issue since UNCTAD. Prior to that he had told the Board that the Bank could finance buffer stocks. This had been worked out with the Tin Council. However, a loan was never made because the tin agreement broke down and UNCTAD began to move on the Common Fund. Buffer stock financing was acceptable only in the context of a commodity agreement. At present the Bank emphasized its fuels and minerals work program. Mr. Jolles enquired whether such a program would not run into unmanageable orders of magnitude. Mr. McNamara replied that this was not yet the case: (i) the groundwork had to be laid; (ii) resources from private sources were catalyzed by the Bank; and (iii) the recession made huge undertakings unnecessary at present. In order to encourage private financing, the Bank had developed crossdefault clauses.

Mr. Jolles enquired about the World Development Report. Mr. McNamara said that the report would stress the mutuality of interest and that he would build this year's Governors' Speech on this theme. It would also be taken up by the Brandt Commission. The WDR would probably be available to the Development Committee meeting in September. The Development Committee might be strengthened by dealing with the issues raised by the WDR. Mr. Jolles said that the only strong argument against the wave of protectionism in the developed countries would be an opening of major LDC markets, e.g., Brazil and Mexico. Finally, he mentioned that the Swiss Government was now more forthcoming on foreign aid.

CKW
May 26, 1978

OFFICE MEMORANDUM

TO: Files

DATE: July 27, 1979

FROM: William Clark *mc.*SUBJECT: Lunch with Swiss Officials - July 23, 1979

Present: Ambassadors Heimo and Jacobi of Swiss Government, and Messrs. McNamara and W. Clark.

Jacobi said that Ambassador Jolles would be in America during September and hoped to see Mr. McNamara on September 17. Mr. McNamara said if he would like to stay with him he would be welcome.

A letter from Jolles had already been sent to Mr. McNamara inviting him to pay an official visit to Berne during the first half of 1980. Mr. McNamara indicated that he hoped to accept.

Jacobi explained the Swiss bureaucracy's strategy about the Bank. It was to try and find ways of being helpful to IBRD though he felt that the political ministers could do nothing about IDA for several years after the adverse Referendum. The Swiss could do more with IADB and Asian D.B. because they were members. The question of Swiss membership in the Bretton Woods Institutions was on the horizon; a referendum on this issue was demandable but not mandatory as the issue of U.N. membership would be. The two issues should be kept apart or the united oppositions would prove fatal.

One main objective of Mr. McNamara's visit was to persuade Ministers that the matter of Swiss Aid, especially through IDA, was urgent. They should hear from him about the mood of the Board on Swiss right to procurement. It was important that the threat of cutting off procurement should not appear to be an American initiative; since the Swiss regard the Americans as not much better than them on aid, and anyway tended to regard the Bank as an American stooge compared, for instance, with the IADB.

The talk turned towards methods of persuading the Swiss voter. Mr. McNamara said we should find out where the \$1 billion of procurement went in Switzerland. Which firms and which trade unions would be hurt if it was cut off. He also urged that the poorest countries should be asked to speak for themselves and tell whether the poorest really benefited from Bank aid. (Note Nyerere's speech at the FAO Conference in Rome last week).

All in all I got the impression that these officials were genuinely embarrassed by the Swiss failure to raise their ODA. But they did not think the Ministers cared very much nor knew of the external criticism; and the Swiss people were blissfully unaware of their reputation as the meanest and richest. They looked to Mr. McNamara to wake people up to this situation; I noticed that Government releases continuously pointed out how much aid the Swiss gave through private charity etc.

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OFFICE MEMORANDUM

TO: Files

DATE: September 18, 1979

FROM: William Clark *mc*SUBJECT: Memorandum of Conversation - Mr. McNamara
and Mr. Paul Jolles of the Swiss Commerce
Department

There were present Mr. Jolles, the Swiss Ambassador, Mr. Qureshi, Mr. Clark.

After explaining the situation in relation to IDA in Switzerland after the adverse referendum, Mr. Jolles asked Mr. McNamara how do we show that we are willing to try and come back into IDA, for the Seventh Replenishment rather than the Sixth.

Mr. McNamara replied that it would be best if there were some tangible contributions by the Swiss to the Sixth Replenishment, though he appreciated that there could not be a joining in the negotiations for the Sixth Replenishment. He hoped it might be possible for a certain pre-determined amount each year to be paid by the Swiss and used on IDA projects, which might be selected by the Swiss, and would certainly enable the Swiss to receive full documentation on what the money was used for. Mr. McNamara added that he would hope to be able to persuade the donors that this was an acceptable form of contribution by the Swiss to the Sixth Replenishment, and it would diminish the demands for the ending of Swiss procurement for IDA projects.

Mr. Jolles probed the exact nature of the possible commitments. Mr. McNamara emphasised that they must be firm for the upcoming year, though they could be tentative for subsequent years. On the amount Mr. McNamara suggested that about 60 million per year would be roughly in accord with the proper Swiss share. Mr. Jolles said he thought that that amount would be difficult.

However, after some discussion it emerged that some money might be taken from the Swiss Aid account already budgeted - for instance for humanitarian projects such as that discussed this morning for the Dominican Republic. There was also the possibility of forgiving the repayments by the Bank to the Swiss Government of the loan which was made originally by the Swiss to IDA. Mr. McNamara agreed that there would be ways of counting the forgiveness of this loan as a Swiss contribution.

Mr. Jolles concluded by saying that he would return to his Government and suggest that they look into the matter of Swiss financing of certain identified projects which would otherwise be financed by ordinary IDA funds, and (2) the question of debt forgiveness by Switzerland to the Bank.

There was a brief discussion of the possibility of Mr. McNamara going to Switzerland, and Mr. Jolles emphasised that his presence and an official visit to the Swiss Government could easily move the Ministers quite considerably in a more favourable way to the Bank. He suggested

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that the first quarter of next year would be the ideal time, and if Mr. McNamara could give a month's notice things could almost certainly be arranged. (Mr. Clark to look into this).

The meeting ended very cordially as it had begun.

WDClark:sf

cc. Mr. McNamara
Mr. Qureshi
Mr. Koch-Weser

15

OFFICE MEMORANDUM

TO: FILES DATE: October 4, 1979

FROM: Moeen A. Qureshi *MAQ*

SUBJECT: Mr. McNamara's meeting with Mr. Paul Jolles, Secretary of State for Foreign Economic Affairs, Monday, October 1, 1979

Present: Mr. McNamara, Mr. Jolles, Mr. Leutwiler
(President, Swiss National Bank), Mr. Koch-Weser,
Mr. Qureshi

Mr. Jolles said that he had followed up on his previous conversation with Mr. McNamara, and had been discussing the matter extensively within the Government. The task facing the Swiss Government was to put together \$180 million (about SwF 300 million) which corresponded to 1.47% of a \$12 billion IDA 6 target.

The Swiss authorities had three main objectives:
(i) provide persuasive evidence that Switzerland was making an effort comparable to those of other IDA donors; (ii) devise a method by which Switzerland would be able, within the framework of its bilateral aid program, to show clearer support for IDA; (iii) structure an approach that would enable them to mobilize internal political support for eventual full participation in IDA.

Mr. Jolles said that they felt that it would be possible for them to find the equivalent of SwF 100 million, which would be the amount required for commitments during the first year of IDA 6 within their existing aid appropriations in FY80. This amount of SwF 100 million would have three components:

- (i) the remission of loans to IDA - the discounted cash value of the outstanding loans was estimated at SwF 27 million;
- (ii) an amount of SwF 52 million which, Mr. Jolles thought, could very easily be allocated out of existing FY80 appropriations because it related to certain IDA projects (an IDA project in Mali, assistance to Bangladesh, a "pre-financing" fund for project preparation and development);
- (iii) the balance of SwF 15-18 million which was as yet unidentified, but would have to be found within the existing appropriations.

.../..

On the Swiss loan to IDA, Mr. Jolles said that Parliamentary approval would be required for remitting the loan. The Swiss authorities would like to prepare a strong case and transmit it in the form of a message to the Parliament. The case should be built on the fact that IDA's priorities were the same as those laid down for Swiss bilateral aid; i.e. heavy concentration towards assisting the poor, and in the field of agriculture. He hoped that it would be possible to get the basic data and information from the Bank to help them prepare this case.

With respect to the amount of SwF 70-73 million to be provided for IDA or IDA type projects, Mr. Jolles said that the Swiss authorities would need to discuss in more detail the framework within which this money would be allocated, including the degree of control which the Swiss authorities would retain on the administration and utilization of the funds.

As regards the 2nd and 3rd years of IDA 6, Mr. Jolles said that with the FY80 proposals, FY80 aid appropriations would be fully committed and the Swiss Authorities will need to make new aid appropriations in FY81 and FY82 which could be used for parallel financing with IDA and, if the necessary support was mobilized, perhaps even for direct participation in IDA.

Finally, Mr. Jolles said that the Swiss Authorities believed that they would like to see Mr. McNamara in Switzerland; they believed that his visit would be very useful but the right timing was important. The best timing probably would be towards the end of March, following the Parliamentary passage of the proposal to remit the IDA loan. The Parliamentary session is scheduled to end on March 21. An alternative timing would be the end of June but he felt that March would be their preference.

Mr. McNamara said that he was pleased to see the further progress in the thinking in Switzerland on the matter of participation in IDA. He could not say what the reaction of the other donors would be to the Swiss proposal. However, he would be prepared to recommend the Swiss proposal provided it was clearly recognized as a step towards full participation by Switzerland in IDA. If such was the case, then it would be appropriate for Mr. Cargill to discuss this matter on an informal basis with representatives of other IDA countries at the IDA 6 Deputies meeting in Dubrovnik. Mr. McNamara wished to emphasize his understanding that the Swiss position was not

to be seen as setting a precedent but rather as a serious attempt by the Government to move towards full participation.

Mr. Jolles confirmed that this was the case. He said that he had been officially instructed to convey to Mr. McNamara that the Swiss Government was ready to make the political commitment to move towards participation in IDA. If the Parliamentary and public reception to the proposal to remit the debt proved to be good, then it might be possible to accelerate this process with the new aid appropriations in FY81 and FY82. Mr. Jolles also asked for Mr. McNamara's assistance in making sure that the concern which some other governments had expressed with respect to the Swiss position on IDA was conveyed by them directly to responsible Swiss Authorities. Mr. McNamara promised to assist in this matter.

cc: Mr. McNamara
Mr. Cargill
Mr. Knapp
Mr. Rotberg
Mr. Gabriel

MAQureshi:gmb

16

OFFICE OF THE PRESIDENT

Meeting with Swiss Delegation, October 1, 1980

Present: Mr. McNamara, Ambassador Jolles (Secretary of State for Foreign Affairs), Mr. Leutweiler (President, Swiss National Bank), Ambassador Probst (Swiss Ambassador to U.S.), Mr. Grossenbacher (First Secretary, Swiss Embassy), Messrs. Benjenk and Steckhan

Mr. McNamara opened the meeting by expressing his gratitude to Mr. Leutweiler and his bank for allowing the World Bank to borrow there, which has proved very helpful to the Bank. He then said that, at some time, he would appreciate receiving Mr. Leutweiler's views on the future world economic situation. He commented that, in his view, many people do not see what lies ahead. Today, capital surpluses are about \$100 billion more than they were two years ago, and there are serious doubts that these surpluses will be transferred to where they are really needed. This will probably mean lower growth rates and it will certainly lead to deflationary pressures.

Mr. Leutweiler expressed his opinion that many people look more at the monetary side of the present situation than at the truly economic aspects. Mr. McNamara fully agreed. He then commented that part of the problem is the need to reduce consumption in the oil-importing developing countries, and he added that these countries would have to decide how to do it. He further said that many people in the U.S. do not understand the exact nature of the problem. Mr. Leutweiler expressed his worry of increasing involvement of politics in the Bank's affairs. He explained that the Bank has a very high standing in financial markets, especially in Switzerland, but these markets are extremely sensitive.

Ambassador Jolles, who had joined the meeting a little late, said that the question is really how to start a meaningful discussion on these issues. He said that the Swiss were worried about the developments of the global negotiations at the UN and other "skirmishes" (i.e., the PLO issue). Mr. McNamara said that he expected nothing to come out of the UN, at least for the next two or three years, essentially because the UN is hopelessly organized. The North/South dialogue cannot be expected to accomplish much. The only options in his view for the meaningful dialogue referred to by Ambassador Jolles are either a Brandt-type summit with 25 individuals or the existing institutions, such as the Bank and the Fund, with 20 seats in their boards. The Interim Committee has proved to be a very useful political tool for the management of the Fund. On the other hand, the Development Committee has never succeeded in being its true equivalent for the Bank.

Mr. McNamara then explained his fears about what may happen with the various options for expanding the Bank's lending program. Everyone will have a good reason not to go along with one or another of the proposals for this expansion. For instance, the OECD countries may approve of the energy affiliate, but they will not contribute to its establishment unless OPEC countries also contribute. Likewise, some may accept a proposal to increase the subscribed capital base of the Bank, but others will object. Mr. McNamara expressed his belief that the Fund and the Bank could and should take a greater mediating role in all this. He gave the example of his disappointment when at the luncheon of ministers (for the Development Committee) on Monday, September 29, a minister of one of the OECD countries asked that reference to the energy affiliate be taken off the Press Communique, arguing that the G-24 did not want the affiliate. He said that the minister's statement was not exactly correct as the G-24 had not expressed opposition to the creation of the affiliate, but they certainly had not expressed the support which they could and should have.

Ambassador Jolles said that one of the problems was to promote coordination within OECD countries on matters of substance. He further said that summit meetings carried the risk of becoming "beauty contests." Mr. McNamara agreed and emphasized that coordination was necessary not only within OECD but also between OECD and the G-24.

Turning again to his concern about the expansion of the lending program, Mr. McNamara explained his intention to have the Bank prepare a series of papers for the Board dealing with a proposed expansion and the means of financing it, hopefully reflecting a consensus of the various parties on the issues. By mid-April 1981, that consensus could be built into a five-year program which would then be submitted to the Board. He said that he hoped it would be possible for the Development Committee to discuss the issues at the meeting of the Committee in Gabon in May.

Ambassador Jolles then enquired whether Mr. McNamara thought he could mobilize the OPEC countries in view of present difficulties caused by the PLO problem. Mr. McNamara replied that it was not so much OPEC countries but rather Saudi Arabia and Kuwait. The problem in Kuwait is that close to 60% of its population is Palestinian. Under present circumstances, Saudi Arabia and Kuwait do not even want to talk to the Bank and the Fund. Mr. McNamara added that he would be satisfied if productive discussions with them took place again within the next six months. In the interim period, his recommendation would be for the OECD countries to initiate action, especially with respect to the energy affiliate. Mr. McNamara, however, concluded that the biggest problem at this time is to decide whether the lending to China will be in addition to or in substitution for the existing lending to other countries.

Ambassador Jolles finally said that he was looking forward to seeing Mr. McNamara in Switzerland at the end of November. Mr. McNamara said that he may ask Mr. Rotberg to join him on this trip.

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October 15, 1980

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December 17, 1980

Memorandum for the record

1. On November 28, 1980, Mr. McNamara met with a group of senior Swiss officials consisting of Fritz Honegger, Minister of the Economy, Willi Ritschard, Minister of Finance, Pierre Aubert, Minister of Foreign Affairs, National Bank President Fritz Leutwiler, State Secretary Paul Jolles and their aides. Mr. Benjenk and myself were also present. The meeting lasted from about 11.30 a.m. to 13.00 p.m.

2. After a warm word of welcome by Minister Honegger, Mr. McNamara started out by emphasizing that the most important subject to him was the future relationship between Switzerland and the Bretton Woods institutions. He then went on to describe the prospects for development in the eighties, the World Bank's plans for broadening its capital base, future borrowing in the capital markets, IDA 7 and the energy affiliate.

3. As far as the relationship between Switzerland and the Bretton Woods institutions was concerned, Mr. McNamara made the following points:

(a) Switzerland would face penalties in the long run unless it moved towards membership in the Bretton Woods institutions. So far, Switzerland had been getting a "free ride" by remaining eligible for World Bank/IDA procurement which totalled more than \$ 1 bn overall and reached \$ 160 mn in 1979 alone. In July 1979 Mr. McNamara had barely prevented his Board from voting to cancel this privilege for Switzerland and criticism from Board members was on the increase.

(b) Apart from the procurement aspect, Switzerland was "failing to fulfill its responsibilities in the world" if it did not make a contribution; the upcoming discussions of IDA 7 and the energy facility provided a useful opportunity for Switzerland to participate.

(c) Speaking more broadly, no nation in Mr. McNamara's view could isolate itself in an interdependent world and Switzerland's present aid effort was a "disgrace". At the same time Mr. McNamara congratulated the Swiss on the new SwF 1.65 bn aid bill and thought this was a step in the right direction.

(d) Multilateral aid such as World Bank aid had clear advantages over bilateral aid since

(i) it provided more control over the investment and a more certain impact on the absolute poor

(ii) the World Bank's most important role was to provide advice on how to improve overall economic management in a country

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- (iii) Because of its size and experience, the World Bank had much more influence on a government's economic policies than a bilateral donor
- (iv) World Bank financial and non-financial activities were strictly controlled by 21 Executive Directors representing member governments.

(e) The World Bank needed Switzerland's support and experience in the field of financial intermediation; Switzerland, on the other hand could not maintain its influence by staying outside.

(f) As far as the timing of UN membership and membership in the Bretton Woods institutions was concerned, Mr. McNamara felt that both were important. While he strongly believed in the United Nations, he opined that Switzerland should move first on the Bretton Woods institutions where it could play a more substantive role than in the UN where Switzerland would only have one vote out of 160 with all the frustrations this implied.

4. In the ensuing discussion, the Swiss officials made a number of comments. Thus, Foreign Minister Aubert pointed to the difficulties of convincing the sovereign, i.e. the Swiss people, to join these international institutions.

State Secretary Jolles asked whether the issue was one of Swiss membership in the Bretton Woods institutions or Swiss participation in certain programs of the World Bank. In reply, Mr. McNamara said that "Switzerland would be less of a nation if it did not become a member" adding that it was, however, urgent that Switzerland contribute to IDA 7 and the energy facility.

Both Messrs. Jolles and Leutwiler were wondering what effect a negative referendum on the Bretton Woods institutions would have on the future relationship between the World Bank and Switzerland. IMF membership was less pressing anyhow - especially without the prospect of a Swiss board seat - since Switzerland was already contributing at least as much to the IMF as it would have to if it joined. Mr. Leutwiler in particular underlined his present ability to exercise "moral suasion" on Swiss commercial banks to lend substantial amounts to the World Bank as the largest single borrower in the Swiss market. He feared an abortive referendum would greatly diminish his clout.

Mr. McNamara responded that it was up to Switzerland to decide and this was a political question. In this respect Switzerland would have to consider what its image in the world is and should be.

Federal Counsellor Honegger concluded the morning meeting by thanking Mr. McNamara warmly for his frank assessment and his detailed explanations.

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