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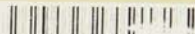
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McNamara Papers

Contacts
Germany (1958)

The World Bank Group
Archives



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Contacts with member countries: Germany - Correspondence 01

**DECLASSIFIED
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GERMANY

- 4/5/68 Walther Casper, Director of a non-ferrous metals company, Frankfurt
- 4/16/68 Prof. von Weiszacker, top scientific advisor to the Bonn Government
(Kissinger)
- 4/17/68 Dr. Walter Hallstein, former President of the Common Market
- 4/26-28/68
(Mont Tremblant)
- Egon Bahr, Ambassador; Director of Planning at the Foreign Office
- Fritz Berg, President, "Bundesverband der Deutschen Industrie",
Ludenscheiderstrasse, Westfalen
- Kurt Birrenbach, Member of Parliament, Chairman of the Board
"August Thyssen-Hutte A.G."
- Richard Lowenthal, Professor of Political Science, Free Univ.,
West Berlin
- Karl Mommer, Vice President, Bundestag
- Dieter Spethmann, Chairman of the Board "Deutsche Edelstahlwerke A.K."
- Otto Wolff von Amerongen, Chairman of the Board, Otto Wolff A.G.,
Cologne
1. 6/6/68 Dr. Wilfried Guth, member Board of Directors, Deutschebank;
(Frankfurt) member Board of Directors, Kreditanstalt fur Wiederaufbau;
and Mr. Klasens
 2. 6/6/68 Prof. Helmut Lipfert, Prof. of Business Administration, Hamburg Univ. ;
(Frankfurt) member Board of Directors, Girozentrale
Also two associates
 3. Memoranda of Conversations of Mr. Aldewereld's meetings in Germany
 4. 6/19/68 Walther Leisler-Kiep, Chairman, Bundestag Committee for Development Aid
6/19/68 Prof. Helmut Lipfert (see title above)
 5. 7/1/68 Franz Josef Strauss, Minister of Finance
(Bonn)
 6. " Georg Ferdinand Duckwitz, Under Secretary
 7. " Hans Jurgen Wischnewski and Dr. Dumke, Ministry for Economic Cooperation
 8. " Prof. Karl Schiller, Minister of Economic Affairs; Undersecretaries
Arndt and V. Dohnanyi; Messrs. Hankel, Schittinger, Hannemann and
Koinzer
 9. 7/24/68 Franz Josef Strauss, Minister of Finance
 10. 8/2/68 McNamara/Aldewereld phone conversation re sale of a bond issue
through the Deutschebank

- 8/19/68 Walther Casper and daughter (see first item on page 1)
11. 9/12/68 Helmut Schmidt, Floor leader of the Social Democratic (SPD), German Parliament (Bundestag)
12. 10/2/68 Prof. Karl Schiller, Minister of Economics
Dr. Johann B. Schoellhorn, Undersecretary, Ministry of Economic Affairs
- 10/7/68 Hermann J. Abs, Chairman, Deutsche Bank - at dinner for IFC Advisers
13. 12/7/68 Erich Bachem, Kreditanstalt fur Wieder (former member of the Bank staff)
- 3/19/69 Ambassador Rolf Pauls
14. 3/19/69 Klaus Jacobi, Editor of Stern
- 4/12/69 Minister of Defense Gerhard Schroeder
- 4/18/69 Helmut Middleman, Counselor, Economic Affairs, German Embassy
15. 4/30/69 Dr. Schollhorn, Undersecretary for Economics (A + DE WERKLB)
Dr. Hankel, Economic Ministry
- 15a. ? Fritz Caspari conversation with W.Clark (PERSONAL)
16. 5/2/69 Dr. Wilfried Guth, member Board of Directors, Deutschebank
17. 5/21/69 Peter von Zahn, German TV interview
- 17a 6/5/69 Mr. vom Hofe
6/6/69 Franz Specks, Rheinische Post, Dusseldorf (with 11 other newsmen)
- 6/6/69 Ulrich Blecke, Die Welt, Hamburg (with 11 other newsmen)
- 6/10/69 Dr. Hermann J. Abs, Chairman, Deutsche Bank
Erich Bachem, Kreditanstalt fur Wiederaufbau
Mr. Hopfen
- 5/9-11/69 Ruediger Altmann, Head, Political Academy, Eicholz, Deputy General (Bilderberg) Secretary, "Deutscher Industrie-und Handelstag"
- " Kurt Birrenbach, M.P.; Member of the Board, August Thyssen-Hütte A.G.
- " Ralf Dahrendorf, Prof. of Sociology, Univ. of Constance (author, working paper)
- " Jens Litten, Student; Member of the Education Policy Committee of the National Exec. Committee of the Social Democratic Party
- " Manfred E. Ritterbach, Research Assistant, Scientific Institute of the Konrad Adenauer Foundation
- " Helmut Schmidt, M.P.
- " Otto Wolff von Amerongen, Chairman of the Board, Otto Wolff A.G.

- 6/30/69 Dr. Strunz, Member of the Management for Investments, Genossenschaftskasse
Deutsche, Frankfurt
Dr. Steffani, Head of the Securities Department
18. 7/14/69 Dr. Fritz Berg, ~~German~~, German industrialist
- 7/18/69 Harald Knupp, Management staff of University Information Systems, Inc.
(Aspen - (a newly formed company sponsored by Volkswagen Foundation) Dusseldorf
Eisen. Ex.)
- 8/5/69 Chancellor Kurt Kiesinger (at Council on Foreign Relations dinner in NYC)
- 9/26/69 Jean Blancpain, Neue Zuercher Zeitung - at reception for press
- 9/26/69 Ulrich Mulert, German News Agency
- ~~10/1/69 Dr. Karl Schiller, Minister of Finance (at the Canadian Ambassador's
dinner for the Pearson Commission) ??~~
19. 10/3/69 J.B. Schoellhorn, Under Secretary, Ministry of Economic Affairs
Dr. Wilhelm Hankel, Assistant Secretary, Ministry of Economic Affairs
Dr. Wilhelm Hanemann, Deputy Assistant Secretary, Ministry of Economic
Affairs.
- 11/26/69 D.W. von Menges, President and Chief Exec. Officer, German
Gutehoffnungshuette Group; Eugene Schulte, President, Ferrostaal
Overseas Corp; Arthur L. Fern, Wash., Office, Ferrostaal Overseas Corp.
20. 1/27/70 Erhard Eppler, Minister for Economic Cooperation
Mr. Neufeld, Adviser, German Delegation on the UNDP
Ambassador Pauls
Mr. Doran, Personal Assistant to the Minister
- 2/11/70 Walther Leisler-Kiep, Deputy, German Lower House
Helmut Middleman, Economic Counselor, Embassy
- 2/17/70 Heinrich Hendus, Director General for Development Aid, European
Communities (with Henri Rochereau, Commissioner, Commission of the
European Communities, et al)
- 2/22/70 Erhard Eppler, Federal Minister of Economic Cooperation
(Montebello Conf.)
21. 3/5/70 Dr. Fritz Berg, President, Federation of German Industries
Mr. Wagner, Managing Director of the Federation
Mr. Abt, Director, German U.S. Chamber of Commerce, NYC

- 4/6-12/70
(Bellagio &
Ditchley
22. Confs.) Erhard Eppler, Minister for Economic Cooperation
Dr. Hanemann, ED
- 5/4/70 Axel vom dem Bussche (being considered for employment)
- 5/20-22/70
(Paris) Representatives and Observers at OECD Meeting:
Erhard Eppler, Minister for Economic Cooperation
Dr. Schoellhorn, State Secretary, Ministry of Economics,
Head of Delegation
Graf von Hardenberg, Head of the Permanent Delegation
Dr. Herbst, Ministerialdirektor, Ministry of Foreign Affairs
Dr. Hankel, Ministerialdirektor, Ministry of Economics
Dr. Stedtfeld, Ministerialdirigent, Ministry of Economics
Dr. Hartig, Ministerialdirigent, Ministry of Finance
Mr. Goltz, Ministerialdirigent, Ministry of Economic Cooperation
Mr. Jentsch, Ministerialrat, Ministry of Economics
Dr. Mueller-Thuns, Ministerialrat, Ministry of Economics
Mr. Haase, Ministerialrat, Ministry of Economics
Dr. von Brandenstein, Ministerialrat, Ministry of Agriculture
Dr. Illing, Ministerialrat, Ministry of Agriculture
Mr. Mueller, Regierungsdirektor, Ministry of Economics
Dr. Dufner, Legationsrat I. Klasse, Ministry of Foreign Affairs
Mr. Eckert, Bundesbankobererrat, Deutsche Bundesbank
- 6/18-19/70
(Heidelberg) Sigismund von Braun, State Secretary, Foreign Office
Erhard Eppler, Minister for Economic Cooperation
Herr Schlaich, VLR I, Bonn
- 9/10/70 Gerhard Schroeder, German MP
23. 9/30/70 Mrs. Ellen Lauterbach, German MP
24. 10/29/70 German Parliamentarians:
Alwin Brück, SPD, head of delegation (Committee on Economic Coop.)
Martin Grüner (Budget Committee)
Karl-Hans Kern, SPD (Committee on Foreign Affairs)
Wilhelm Krampe (Budget Committee)
Dr. Konrad Kraske, CDU (Committee on Foreign Affairs)
Dr. Manfred Luda, CDU (Economic Committee)
Dr. Fritz Rinderspacher, SPD (Committee on Economic Coop.)
Dr. Hans Georg Schachtschabel, SPD (Economic Committee)
Harry Tallert (Committee on Economic Coop.)
Rudolf Werner, CDU (Committee on Economic Coop.)
Dr. Otto Wulff, CDU (Committee on Economic Coop.)
Dr. Maus, Sekretär des Ausschusses für wirtschaftliche
Zusammenarbeit (Secy of Committee on Economic Coop.)
Frau Krugmann, journalist
Prof. Sohn, State Secretary
Franz K. Kapps, group coordinator

25. 12/8/70 Der Spiegel interview: Messrs. Hartemann, Brawand and Sorge
26. 2/26/71 Ludwig Pullain, head of Westdeutsche Landesbank
27. 4/6/71 Dr. Alex Moeller, Minister of Finance
Mr. Jekewitz, Personal Assistant
Miss Wichmann, interpreter
- 4/23-26/71 Dr. Erhard Eppler, Minister for Economic Cooperation
(Tide. IV,
Lausanne)
- 5/11/71 Mr. von dem Bussche, consultant to the Bank's European Office - lunch
28. 9/25/71 Dr. Karl Schiller, Minister of Economic Affairs -- Courtesy call
on the Minister at his suite at the Sheraton-Park Hotel; lunch
at the McNamara's house
- 10/4/71 Dr. Wilfried Guth, Deutsche Bank (IFC Adviser)
29. 10/5/71 Dr. Ludwig Poullain, President, Westdeutsche Landesbank
Mr. Konig, assistant to Mr. Poullain
- 12/3/71 (Meeting of the Consultative Group on International Agricultural Research
Dr. Treitz, Ministry for Economic Cooperation
Mr. Rohner, Ministry for Agriculture
Mr. Osterhaus, Ministry of Economic Affairs and Finance
30. 7/5/72 Dr. Erhard Eppler, Minister for Economic Cooperation
- 7/15/72 Hermann J. Abs, Chairman, Supervisory Board, Deutsche Bank, Frankfurt
(lunch at the house other members International Association for
the Promotion and Protection of Private Foreign Investments (APPI)
31. 7/20/72 Helmut Schmidt, Minister of Finance
Mr. Artopoulos
32. 9/22/72 Heinz Portman, Financial Editor, Neue Zurcher Zeitung
33. 10/30/72 Dr. Karl-Heinz Sohn, Secretary of State of the Ministry of
Economic Cooperation (deputy to Eppler)
34. 2/20/73 Minister of Finance Schmidt
(Bonn)
- 2/20/73- Erhard Eppler, Minister for Economic Cooperation
(Bonn)
- 2/21/73 Chancellor Willy Brandt
(Bonn) President Gustav Heinemann
35. 2/21/73 Lists attached of guests at dinner and seminar
(Bonn)

36. 4/26/73 Professor von Weicsacker, Max Planck Institute
12/8,9/73 Dr. Erhard Eppler, Minister for Economic Cooperation
(Tidewater)
37. 1/8/74 Mr. Alex Mueller, Former Minister of Finance
38. 4/10/74 Mr. Matthöfer, Deputy Minister of Economic Cooperation
Mr. Wefelmeier, Personal Assistant to Mr. Matthöfer
39. 4/10/74 Mrs. Annemarie Renger, President, German Bundestag
German Parliamentarians: Hans Katzer
Hermann Hoecherl
Herbert Ehrenberg
Uwe Ronneburger
Hans-Jurgen Wischnewski
Hermann Schmidt (Würgendorf)
Richard von Weizsäcker
40. 5/1/74 Gerhard Schroeder, Chief, Parliamentary Committee
Dr. Jung, Personal Assistant
Dr. Freudenstein, Interpreter
41. 5/29/74 German Parliamentarians: Dr. Uwe Holtz (SPD)
Gunter Schluckebier (SPD)
Hans Roser (CDU)
Dr. Volkmar Kohler (CDU)
Werner Zywietz (FDP)
Dr. Skupnik, Administration of German Parliament
Dr. Gunther Schulz, Ministry for Economic Cooperation
Helmut Koinzer, Ministry of Economics
42. 9/12/74 Dr. Juergen Gerhard Todenhofer, Chairman, Development Commission
of CDU and Speaker for Development Policy of the Parliamentary
Group.
43. 9/16/74 Johannes Tuengeler, Deutsche Bundesbank
Erwin Blumenthal, " "
44. 12/4/74 STERN Magazine: Peter Abel, Foreign Editor
Klaus Liedtke, North American correspondent
45. 12/6/74 Mr. Egon Bahr, Minister for Economic Cooperation
Dr. Thomas Harms, Personal Assistant to Minister Bahr
12/7-8/74 Egon Bahr, Minister for Economic Cooperation
(Tidewater,
St. Donat, Que.)
3/21/75 Prof. Wilhelm Hankel
46. 5/15/75 Dr. Karl Schiller, Chairman, Economic Development for
Equatorial and Southern Africa (EDESA)
Rene W. Gerber, Executive Vice President, EDESA

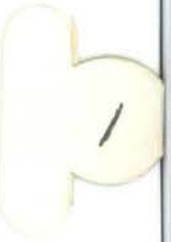
46. 4/25-27/75 Bilderberg:
(cont) (Cesme, Kurt Becker, Stadtanzeiger - Cologne
Turkey) Klaus von Dohnanyi, Bundeshaus, Bonn
Herbert Giersch, Institut fur Weltwirtschaft at the
University of Kiel
Walter Leisler Kiep, Bundeshaus, Bonn
Theo Sommer, Die Zeit - Hamburg
Otto Wolff von Amerongen, President, Otto Wolff AG - Cologne
- 6/12-13/75
(Paris- Karl Otto Poehl, Under Secretary, Ministry of Finance
Dev Cte)
- 6/16/75 Walter Scheel, President. (At lunch hosted by
Ambassador Berndt von Staden)
- 9/27-28/75 Tidewater:
(Gymnich Egon Bahr - Minister of Economic Cooperation
Castle)
47. 9/29/75 Chancellor Helmut Schmidt
(Bonn) Hans-Dietrich Genscher, Vice Chancellor and Minister of
Foreign Affairs
Karl Otto Poehl, Under Secretary, Ministry of Finance
Egon Bahr, Minister of Economic Cooperation
- 10/3/75 Chancellor Helmut Schmidt (dinner at the German Embassy)
48. 10/16/75 Ralf Dahrendorf (possible Ford Foundation)
- 1/6-10/76 Karl Otto Poehl, Under Secretary, Ministry of Finance
(Dev.Cte.,
Kingston)
49. 1/23/76 Dr. Horst Moltrecht, Ministry of Economic Cooperation
50. 5/4/76 Helmut Kohl, Chairman of the Christian Democratic Union
(at dinner hosted by Ambassador von Staden)
- 8/12/76 Heinz Tiede, Capital Magazine
- 2/1/77 Marie Schlei, Minister for Economic Cooperation (at reception)
51. 2/2/77 Mrs. Marie Schlei, Federal Minister for Economic Cooperation
Horst Moltrecht, Deputy Assistant Secretary
Eberhard Kurth, Division Chief (Multilateral Institutions)
Hans Lerchbacher, Press Secretary
Thomas Harms, Personal Secretary to the Minister
Mrs. Scheel, Interpreter
- 2/22/77 Egon Bahr, Minister of Economic Cooperation (Breakfast at
Tracy Place)

- 3/7/77 Willy Brandt, Chairman, Socialist Democratic Party
- 3/7/77 Ambassador von Staden, (Dinner honoring Mr. Brandt at Embassy)
- 4/6/77 Willy Brandt, Chairman, Socialist Democratic Party
(Bonn) Fritz Fisher, Assistant to Mr. Brandt
- 5/13/77 Ladislaus von Hoffmann, former Exec. Vice President, IFC
- 6/6-9/77 Dr. Wulf-Dieter Ernert, Unit for Health, Population and
(Bellagio, Nutritional Policies, Ministry of Economic Cooperation
Denmark)
- 6/30/77 Dr. Horst Ehmke, Deputy to Willy Brandt
- 7/12/77 Fritz Fisher, Assistant to Willy Brandt
- 7/14/77 Chancellor Helmut Schmidt -- host at dinner for V.P. Mondale
Ambassador von Staden
- 7/19/77 Countess Marian Dönhoff, Publisher of Die Zeit
- 9/26/77 Dr. Wilfried Guth, Deutsche Bank (Courtesy call)
- 1/12/78 Hans Wuttke, Director of International Affairs, Dresdener Bank
(Dinner at Tracy Place)
52. 2/1/78 Count Otto Graf Lambsdorff, Minister of Economics
53. 3/2/78 Klaus von Donanyi, State Minister, Foreign Office
Mr. Honsowitz, Assistant to Mr. von Donanyi
- 4/7-9/78 Rainer Offergeld, Bundesminister fur Wirtschaftliche Zusammenar-
(Tidewater) beit
in Oslo
- 5/1/78 Hans Matthöffer, Minister of Finance
54. 5/30/78 Horst Schulmann, Economic Adviser to Chancellor Schmidt
- 11/9/78 Dr. Wilfried Guth, Deutsche Bank, Frankfurt
(Lunch for IFC Advisers)
55. 9/24/78 Rainer Offergeld, Min. of Economic Cooperation
Annual Messrs. Moltrecht, Kurth
Meeting
56. 11/14/78 Heinz-Oskar Vetter, Trade Union Leader
Rudolf Vollmer, Labor Attache, Embassy
Mr. Zimmerman
Mr. Kurth, E.D.
CKW
57. 2/5/79 Carl-Werner Sanne, State Secretary, Federal Ministry for
Economic Cooperation
Mr. Kurth, ED

- 2/15/79 Ladislaus von Hoffmann, South American Consolidated Enterprises
58. 3/28/79 Diether Hoffmann, Chairman of the Board, Bank für Gemeinwirtschaft
Dr. Tober
Mr. Wieczorek
Mr. Kurth, Executive Director
- 3/1/79 Count Lambsdorff, Minister for Economic Development at dinner hosted by Ambassador von Staden
59. 3/7/79 Ministerialdirigent Dr. Gebhard Kerckhoff, head of the Division for Multilateral Institutions, Min. of Econ Coop
(Bonn) Ministerialrat Dr. Gerhard Boehmer, Head of World Bank Group Section, Ministry of Economic Cooperation
Herr Rainer Offergeld, Minister for Economic Cooperation
Herr Helmut Schmidt, Chancellor
Herr Willy Brandt, Chairman, Independent Commission on International Development Issues
Professor Dr. Karl Carstens, President of the German Bundestag
60. 3/9/79 Dr. Peter Hermes, State Secy for Foreign Affairs
(Bonn) Herr Karl Otto Pöhl, Vice Pres. Deutsche Bundesbank
61. 3/9/79 Herr Hans Matthöfer, Federal Minister of Finance
(Bonn)
- 3/30/79 Walther Leisler-Kiep, Coordinator/Econ Assistance-Turkey
62. 4/9/79 Mr. Stommel (CDU) Bundestag Committee for Economic Cooperation
Mr. Hanfland
63. 5/2/79 Minister Klaus von Dohnanyi - Foreign Office
64. 9/30/79 Herr Rainer Offergeld, Minister for Economic Cooperation
Belgrade Mr. Kurth
65. 10/4/79 Herr Hans Matthöfer, Minister of Finance
Belgrade Mr. Heitman , Mr. Kurth
66. 11/19/79 Mr. Wolfgang Roth
Mr. Norbert Gansel
Members of Federal Parliament
Mr. Kurth
- 12/5/79 Elmar Pieroth, MP, FRG
Mr. Kurth
Mr. Hanfland
- 12/8/79 Dr. Peter Hermes, Ambassador
(at dinner hosted by the Shrivvers)

- 67 12/20/79 Horst Schulmann, German Federal Chancery
68. 2/13/80 Count Otto Lambsdorff, Minister for Economic Affairs
Helga Steeg, Asst. Undersecretary, Min of Economy
Mr. Vogel, Press Attache, Min of Economy
Mr. Hanfland, Alt E.D.
- 2/13/80 Mr. Willy Brandt (Brandt Commission)
(Lunch) Mr. Fritz Fischer
- 2/14/80 Count Otto Lambsdorff, Minister for Economic Cooperation
69. 3/3/80 Hans Matthöfer, Minister of Finance
Finance Undersecretary Lahnstein
Mr. Kurth, ED
Mr. Fischer
Mr. Pieske
- 3/17/80 Mr. Wilfried Guth - Lunch for IFC Advisers
70. 9/28/80 Hans Matthofer, Minister of Finance
Annual Mr. Kurth (ED)
Meeting
71. 9/29/80 Herr Rainer Offergeld, Minister of Economic Cooperation
Annual Mr. Leister
Meeting Mr. Kurth (ED)
- 11/19/80 Chancellor Schmidt
(New York) [RMcN presented Family of Man Award to the Chancellor[
Former
12/5/80 / Chancellor Willy Brandt
- 1/19/81 Otmar Emminger, Chairman, Board of Directors, Deutsche Bundesbank
(At lunch for the Joint Committee on Remuneration - EDs)
72. 2/26/81 Karl Otto Poehl, Deutsche Bundesbank
- 3/17/81 Countess Donhoff, Published, DIE ZEIT
Lunch

GERRANY



Mr. S. Aldewereld.
London. 11th June, 1968.

Deutsche Bank - 6th June, 1968
10.00a.m..

PRESENT : Messrs: Guth and Klasens
 Messrs: McNamara and Aldewereld

Mr. McNamara referred to the possibility of a private placement in Germany but stated emphatically that for all public issues we would look to the Deutsche Bank as the leader of the syndicate.

They offered two public issues for the fiscal year 1969 of 200m DM, each, one in September 1968 and the second in the Spring of 1969.

Expressed concern about interference of private placement.

They placed privately 250m DM Canada coupon 6-3/4% price 99½.- 5 years.

They could undertake as a private issue 200m DM 6½% coupon at 99 or 6-3/4% at par, both on the basis of 3 years grace and 12 year annual repayments.

Their commission would be 1-3/4%.

They stressed the need for coordination between public issues and private issues. They expressed fear about the private placement being thrown on the market and hoped that Giro Zentrale (GZ) would undertake to keep the paper in portfolio.

Dr. Wilfried Guth, born July 18, 1919.

Since January 1, 1968, member of Board of Directors of Deutschebank.

1961-68 member of Board of Directors Kreditanstalt fur Wiederaufbau.

Before that Executive Director International Monetary Fund, Washington

Intercontinental, Frankfurt
6th June, 1968 - 2.00p.m..

PRESENT : Professor Lipfert of Giro Zentrale
and 2 Associates
Messrs: McNamara and Aldewereld.

GZ gave us the option between a private private placement or a public private placement.

We expressed preference for a private private placement.

They agreed.

They promised that it would be a "solid placement" by which they meant that in the event of one of their member banks, or other GZ, wishing to get rid of the paper they held, the Rheinische GZ would guarantee to acquire the paper and keep it in portfolio. In other words, the paper~~s~~ would never be thrown on the market.

They also agreed that we could accelerate repayment by repaying after the grace period double the annual redemption provided for.

Mr. McNamara expressed a preference for a placement with 8 years of grace and 6 years annual repayments. Consequently a life until final maturity of 14 years.

GZ saw no problem.

Mr. McNamara who had to leave said that Mr. Aldewereld would discuss the private private placement with them on Monday, 10th June in Dusseldorf.

Message dictated by Mr. Aldewereld from the London Office at 4.00p.m., on 11th June, 1968 to the American Embassy, London for transmittal to Mr. McNamara in Indonesia through the U.S. Ambassador, Marshall Green in Jakarta.

Agreement reached with Lipfert on 400m DM private private placement
Grace period 8 years repayment 6 following years

Coupon $6\frac{1}{2}\%$

Their asking price 97-5/8 but this could be improved slightly.

Accelerated repayments after 8 years possible without penalty.

Lipfert will also guarantee that the paper will be absorbed in his portfolio in event anyone wishes to sell.

Lipfert and associates will visit Washington from June 19 for final discussions.

Both Blessing and Economic Ministry Bonn are in full agreement. They consider price quite reasonable.

Guth also in agreement although reluctantly.

He informs me that Deutsche Bank proposes public issue 200m DM either August or September.

Returning Washington Wednesday.

Best Regards

Siem Aldewereld

Professor Helmut Lipfert

Professor of Business Administration at Hamburg University (must have been a colleague of Professor Schiller who taught at the same time at the same University).

Born May 5, 1924.

Numerous publications on banking, export and import trade, national and international money transactions, capital market, monetary policy, etc.

At present member of the Board of Directors of Rheinische Girozentrale (for one or two years).

Dr. Donner reports that Professor Lipfert is a protege of Dr. Butschkau, also a Director of the Rheinische Girozentrale and the "grand old man" of German savings banks.

Der Spiegel reported a few weeks ago that Professor Lipfert will not become General Manager or Deputy General Manager of the merger between Rheinische Girozentrale and Landesbank fur Westfalen-Girozentrale.



The Economics Ministry - Bonn.
7th June, 1968. 3.30p.m..

PRESENT : Dr. Hankel and Mr. Aldewereld.

Dr. Hankel said that the last Bundespost loan and the Federal Government loan had a yield of close to 7%. The coupon was 6 $\frac{1}{2}$ %.

Dr. Hankel added that although the German Government is neutral as to whom the World Bank would do business, in his own opinion the GZ is in a more favourable position for a large private placement than the Deutsche Bank.

He added that the Government's approval will be given ^{we} ^{their} (you have ~~our~~ blessing).

He suggested that if we had the choice between a 6 $\frac{3}{4}$ % coupon and a 6 $\frac{1}{2}$ % coupon we should choose the 6 $\frac{1}{2}$ % coupon with a discount and a possible yield of about 6 $\frac{3}{4}$ %.

He admitted that it was an optical illusion, but he felt that a 6 $\frac{1}{2}$ % coupon had an advantage.

Mr. Aldewereld communicated to Dr. Hankel that Guth of the Deutsche Bank would prefer no publicity, ~~and that the World Bank should not be mentioned.~~

Hankel said the Government would like a statement issued, but that this could merely state that the World Bank had privately issued 400m DM at an interest rate comparable to that prevailing for current German Federal Government issues.

Mr. Aldewereld told Dr. Hankel that in addition to the 400m DM private placement with GZ, we might also wish to have ^a 200m DM public issue with the Deutsche Bank.

Hankel said that 600m DM for the second half of the calendar year 1968 was quite alright with him but suggested that before we agree on an interest rate with the Deutsche Bank we talk with the Economics Ministry.

He said that they had two reasons for this.

Firstly, because he felt that the World Bank should not borrow at rates higher than those of the German Government, and secondly, the Ministry really wanted to help us in finding money at reasonable terms for the development of the poor countries.

Mr. Aldewereld said that the World Bank would be glad to talk with him prior to the settlement of the interest rate with the Deutsche Bank.

Petersburg - 9th June, 1968
10.00a.m.

Telephone call from Guth. He had talked to his colleagues as follows :

1. They agreed with our plans to borrow privately from GZ.
2. They reiterated their position that for public issue the Deutsche Bank would be our Banker.
3. They expected coordination between GZ and Deutsche Bank.
4. They hoped for a public issue in August or September.
5. They would not wish any publicity for the private issue.

(I said that as far as the World Bank was concerned, O.K., but that the Government might wish to have some publicity.)

Guth said that he understood this.

6. He said that he had discussed the Deutsche Bank ideas with Dr. Butchkau of the GZ and that they saw eye to eye.

Dusseldorf - 10th June, 1968
All Day

PRESENT : Professor Lipfert
 Messrs: Schneider, Schmidt, Anders.
 Mr. Aldewereld.

Agreement on private private placement. (Note: since the definition of private private placement was not entirely clear in the memorandum of 29th May, Mr. Aldewereld asked for further explanation.)

1. What GZ calls a public private placement is what we normally call a private placement.

Under this procedure the GZ would get in contact by telephone or telex with ~~institutional~~ investors of all kinds, including insurance companies, to market the issue.

In a private private placement the GZ would place bonds only with the savings banks in its own family and other GZs and not ^{with} ~~to~~ insurance companies and other non savings banks or ~~institutional~~ investors.

This would keep the whole operation silent.

2. What does the guarantee mean to which they referred in a discussion with Mr. McNamara on 6th June.

Lipfert said that GZs separate agreements with the buyers of the Bank bonds (who are as stated above, only members of the family) would provide that if ever a holder of the bonds would wish to get rid of the bonds they can only sell the bonds to the GZ.

3. Who are the shareholders of the GZ.

The shareholders are for one third the Government of the State of North Rheinwestfalen, one third the Community Association of the Rhineland (an administrative sub-division of the State of North Rheinwestfalen) and one third the savings banks and central clearing association of the Rhineland. (These are the independent savings banks for which the GZ acts as a central organization. There are about 102 of these savings banks.) All obligations of the GZ are jointly and severally guaranteed by the shareholders. (This to be checked by Legal Department).

4. Relations with other GZs.

No legal relations, but just good colleagues.

5. Latest financial statements being airmailed to Washington.

6. Agreement on $6\frac{1}{2}\%$ coupon instead of $6\frac{3}{4}\%$.

Agreement on 8 years of grace and 6 years annual repayments (we could if we wished have ~~other~~ different life also).

Agreement on "solid placement" by which, as explained above, no bonds would be floating in the market by virtue of the fact that GZ would buy them for their own portfolio and keep them there.

Lombardfaehigkeit would be a plus for getting a good price. They will investigate. Price they propose $97\frac{5}{8}$ and I said that we would prefer 98.

	<u>97-5/8</u>	<u>98</u>
at 14 years	6.77	6.72
at $11\frac{1}{2}$ years	6.80	6.75
at 11 years	6.81	6.77

Lipfert and I agreed that we have a deal in principle, ^{barring} ~~subject to~~ severe unexpected developments.

That we would resolve the difference between 97-5/8 and 98.

That he and some members of his staff would visit Washington starting Wednesday, 19th June, for final discussions and the starting of the paper work.

He saw the possibility that payment for the issue (provided that there would be final agreement in Washington) could be made on Monday, 1st July.

Deutsche Bank - 6th June, 1968
5.00p.m..

PRESENT: Mr. Guth and Mr. Aldewereld

Guth said he was concerned and not very pleased.

As a personal proposition he offered a 7 plus 7 years private placement of 200m DM with a $6\frac{3}{4}\%$ coupon price 99 to the public and 98 to the Bank.

Guth said that if we were to do business with the GZ, he hoped that both they and the Government would keep it quiet.

He also expressed the hope that there would be coordination between the GZ in the private placement and the public issue to be done by the Deutsche Bank.

Deutsche Bundesbank - 7th June, 1968
10.00a.m..

PRESENT : Messrs: Blessing and Emminger
 Mr. Aldewereld.

Mr. Blessing expressed the neutrality of the Bundesbank as to ^{with} whom the World Bank would do business.

He said that he is ~~not~~ in favour of a 400m DM private placement with the GZ. Both said that GZ is now-a-days eager to engage in capital export. This being the case the Bundesbank will look in favour to the World Bank being the borrower rather than others (Nova Scotia).

Blessing said that 400m DM would be within the range of possibility for the GZ.

He added that the 6-3/4% yield would not be excessive.

Opportunity was taken by Mr. Aldewereld to discuss, in general terms, the roll-over ^{of} to the maturities with the Bundesbank falling due in August 1968.

Both Mr. Blessing and Mr. Emminger were in full agreement to the roll-over and would prefer the dollar portion to be converted into DM.

Mr. Aldewereld agreed and said that we would talk about terms when we were somewhat closer to the maturity date of August 1st.

4

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 18, 1968

FROM: S. R. Cope

SUBJECT: KIEP, Walther Leisler

I attach biographical data about Mr. Kiep who is calling on you at 4:30 this afternoon.



cc: Sir Denis Rickett
Mr. R. Steckhan

BIOGRAPHICAL DATA

Walther Leisler Kiep

Walther Leisler Kiep, a CDU (Christian Democratic Union) Member of the German Parliament, Chairman of the Bundestag-Committee for Development Aid, and member of its Defense Committee, was born on January 5, 1926, in Hamburg.

His father was an adviser to the Turkish Government in 1930. His family has historical ties to the United States. A direct ancestor is Jacob Leisler, the first Governor of New York from 1689 to 1691. Mr. Kiep's uncle, the German Consul General in New York for the Weimar Republik until 1933, was a liberal who later joined the resistance movement against Hitler and was executed in 1944 by the Nazis after the July 20th attempt on Hitler's life.

Mr. Kiep began his studies of economics and histories after the war, and is now active in the insurance business. His political interest is centered on world issues, but he is also concerned with the day-to-day problems of his own electoral district in Hessen. He serves in the Executive Committee of the CDU in Hessen where his party represents the opposition to the ruling Socialists.

Mr. Kiep is active in protestant church organizations and serves in the Foreign Policy Advising Committee of the German Red Cross in Bonn, as well as in several committees dealing with commercial and international trade. He has traveled throughout North America, South America and South East Asia and has lectured in the US and Britain.

Mr. Kiep is married and has five children.

May 1968

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July 25, 1968

CONFIDENTIAL

Subject: Visit of Minister Strauss with President McNamara
on July 24, 1968

A specific subject of discussion had not been envisaged. Minister Strauss and President McNamara talked without written notes.

A large portion of the discussion was of a personal nature and referred to previous meetings as defense ministers, and to mutual acquaintances.

Among other things, Mr. McNamara talked about his recent trip to Rumania and, subsequently, to Turkey and the UAR. The two gentlemen agreed that Eastern Europe is experiencing a radical re-orientation and that Russia has no way of putting a stop to it, no matter whether she now intervenes militarily in Czechoslovakia or not. Mr. McNamara mentioned that this trend could be felt quite clearly also in Rumania. He said that these countries were greatly interested in finding out whether the West would be prepared to accelerate their economic development through foreign exchange credits if they were to continue to loosen their ties with the Eastern Bloc and decided e.g. to apply for membership in the World Bank and the Monetary Fund. Minister Strauss affirmed the Federal Republic's willingness, but did not go into details.

Mr. McNamara mentioned the great need for economic aid in Turkey and Egypt. In this connection Minister Strauss asked whether it might be wise to help Nasser. Up to now, Nasser had not raised the standard of living of the millions of fellahin, instead he had spent all his money on other things which were not especially in our spheres of interest. Mr. McNamara replied he did not believe that to withhold economic aid would help any. He had inspected the Aswan Dam and was very much impressed by it. This enormous structure, he said, represented a symbol of a new era to the Egyptians; that it was being built by the "wrong" people could have been avoided.

Minister Strauss then inquired about the capital requirements of the World Bank. Mr. McNamara replied that he would need about \$ 1.078 billion during the course of the fiscal year, \$ 250 million of which he would like to borrow in the Federal Republic; out of these, he said, he had already received \$ 100 million at the beginning of July, a further amount of \$ 50 million would be placed on the German capital market probably in September by a consortium

of banks, led by the Deutsche Bank; next spring, another \$ 50 million each from the savings banks and again the consortium of banks are anticipated.

Minister Strauss then made a few general remarks on the development of the economy in the Federal Republic. The high export surpluses, he said, had to be compensated for if Germany did not want to expose herself to massive demands by other countries to revalue the German Mark. The German Economics Minister and the Finance Minister were, however, not in full agreement as to how to achieve a better equilibrium. While the Economics Minister wanted to raise the purchasing power through deficit spending by the Government, he - Strauss - did not favor this solution considering the full employment and the danger of causing a new boom. The Federal Republic has 200,000 unemployed, as opposed to 600,000 job vacancies, and this despite the fact that more than 1 million foreigners are employed in the Federal Republic. Many large cities like Munich, Duesseldorf and Hamburg are experiencing serious want of laborers. Therefore, Minister Strauss continued, he would prefer to seek the solution in further capital exports. Mr. McNamara answered that Mr. Guth from the Deutsche Bank had, during the discussions in Frankfurt, already indicated that the proposed loan in the fall could possibly be raised to DM 250 million; this would be agreeable to him if the consortium of banks and the Federal Government would approve. Furthermore he would be willing to place, through the consortium of banks next spring, \$ 150 million in the German capital market instead of the now proposed \$ 50 million. During the last few years the World Bank had reduced its lendable cash balance by about \$ 500 million, a further reduction, Mr. McNamara said, was not recommendable; on the contrary, he intended to replenish the Bank's cash.

Referring to the Economic Minister's hesitation regarding an increase from 6.25 to 6.75 % in the Bank's lending rate Mr. McNamara declared the World Bank had received the two German loans at a cost of 6.72 and 7.21 %. Nobody could expect a bank to lend this money at 6.25 %. Minister Strauss agreed; he said he could not share the different opinion of the Economics Minister.


von Hofe

MEMORANDUM OF CONVERSATION

July 17, 1968

Mr. McNamara's Visit with Finance Minister Strauss on Monday, July 1, 9:00 a.m.
Bonn, Germany

Minister Strauss, who is the Alternate Governor of the Bank, welcomed Mr. McNamara in Bonn and expressed his pleasure at Mr. McNamara's appointment as the new President of the Bank. Mr. McNamara explained that the purpose of his visit to Bonn was to meet with the officials of the German Government to ask their advice on Bank matters and to discuss with them the prospects for Bank borrowing in Germany.

The Minister pointed to the large balance of payments surplus (estimated by the Minister to amount to DM18 billion for calendar 1968) and international pressures to revalue the deutschemark and emphasized that capital export (especially for development purposes) was very much in line with Government policy. In this context, he particularly welcomed the recent private placement of DM400 million in World Bank bonds. Strauss also stated that the Bank's plan to borrow an additional amount of DM600 million in the German capital market during fiscal 1969 was not "beyond the realm of possibilities."

Mr. McNamara then mentioned his visit to Romania and the interest Romania had shown in the World Bank. Minister Strauss felt that both Romania and Czechoslovakia should be encouraged to join the World Bank and welcomed Mr. McNamara's visit to Romania.

cc: Mr. Cope
Files

Rainer B. Steckhan
Rainer B. Steckhan

MEMORANDUM OF CONVERSATION

July 18, 1968

Mr. McNamara's Meeting with Undersecretary Duckwitz of the German Foreign Office, Monday, July 1, at 4:30 p.m., Bonn

In the absence of Foreign Minister Brandt who was out of town, Dr. Duckwitz welcomed Mr. McNamara to Bonn.

Mr. McNamara asked Dr. Duckwitz for his views on the World Bank, its policies and operations.

Dr. Duckwitz expressed his pleasure at the recent private placement of DM400 million World Bank bonds in Germany which he believed was very much in line with German economic and foreign policy at this time.

With respect to Czechoslovakia and Romania, Dr. Duckwitz expressed his belief that the Federal Government would support a request for membership in the World Bank by these countries.

Finally Dr. Duckwitz raised the question of the 1970 Annual Meeting and suggested Berlin as the meeting place. When Mr. McNamara replied that this was something to be discussed first among the three powers and West Germany, Dr. Duckwitz responded that the three powers had been informed and raised no objection to proposing Berlin.

Rainer B. Steckhan
Rainer B. Steckhan

cc: Files

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MEMORANDUM OF CONVERSATION

July 19, 1968

Mr. McNamara's Meeting with Finance Minister Strauss, Monday, July 1, 9:00 a.m.
Bonn, Germany

After an exchange of courtesies and reminiscences, the Minister began to expound his views on East-West relations.

In summary, his views were:

The recent restrictions by East Germany on travel to and from Berlin will not lead to a crisis like the crisis in the early 1960's. They are part of the well known Communist "salami" tactic.

Berlin will always be in a vulnerable position. Its association with West Germany cannot be justified in economic terms. "It would have been cheaper to rebuild Berlin in the Lüneburger Heide (a tract of open wasteland in the north of Germany) after the war." For political reasons, however, Berlin will have to be supported by the Federal Republic.

The cold war is not over yet but has merely entered a new phase. The recent offer by the Russians to discuss arms limitation is an interesting overture but should be received with a good deal of skepticism.

German-Russian relations will be frozen for at least another ten years. The fear of a strong Germany is still too widespread in the USSR. However, it will be useful for the FRG to continue to hold exploratory talks with the USSR.

The Chinese threat to Russia is a real one and increasingly recognized as such by the USSR. In the long run, this may facilitate the resumption of normal and constructive relations between USSR and FRG because of the former's desire to secure its rear.

German reunification is not likely to be brought about at all. It is certainly excluded forever by military means.

The West and particularly the FRG should go far in "penetrating" the East European "satellite" states. But the economic penetration should never go so fast as to give the Soviets an excuse for military intervention. "It is better to have a doubtful ally in COMECON than in NATO."

In this context, the Minister warmly welcomed anything the Bank could do in establishing contacts with Eastern Europe, especially with Czechoslovakia and Romania.

Kiesinger and Strauss have agreed to make available capital to East European "satellite" countries to increase their economic dependence on the West. For political reasons, the FRG is eager to have these investments take the form of a joint US-West European effort. Such a "Marshall Plan" for the Communist East European states should include an exchange of experts, investment in tourism and financing of nuclear power plants. Strauss hopes that the World Bank could assist in these fields.

Rainer B. Steckhan
Rainer B. Steckhan

OUTLINE BIOGRAPHY

Franz Josef STRAUSS.

Land Chairman of the Christian Social Union (CSU), Bavaria.

Chairman of the CSU Land Group in the German Bundestag.

Born September 6, 1915 in Munich; Catholic, married, three children.

Primary School, High School (Humanistisches Gymnasium), matriculation.

Studied history, classical languages and economics at the University of Munich.

1939 and 1940: first and second State Examinations for high school teachers.

1939 to 1945: Military Service (France, Russia).

1945: Deputy Regional Administrator (Landrat).

1946: Regional Administrator, Schongau; re-elected 1948.

February 1948: Member of the Economic Council for the Combined Economic area*.

January 1949: Chief of the Land Youth Office in the Bavarian Ministry of the Interior.

1945: Founder Member of the CSE.

1946: Member of the Land Executive Committee.

1949: General Secretary.

1952: Deputy Party Chairman of the CSU.

March 1961: Land Chairman of the CSE; re-elected July 1963.

Member of the Bundestag since 1949.

To 1953: Deputy Parliamentary Group Chairman.

To 1952: Chairman of the Committee for Youth Welfare Matters.

1952 to 1953: Chairman of the Committee on European Security Matters.

*T.N.: The former American and British zones of occupation of Germany.

October 20, 1953: Federal Minister of Special Affairs.

October 20, 1955: Federal Minister of Atomic Energy.

October 16, 1956 to November 20, 1962: Federal Minister of Defense.

January 22, 1963: Chairman of the CSU Land group in the German Bundestag.

Deputy Chairman of the CDU*/CSU parliamentary group.

Member of the Committee on Foreign Affairs.

From December 1, 1966: Federal Minister of Finance.

*T.N.: CDU - Christian Democratic Union.

Georg Ferdinand Duckwitz

Undersecretary in the German Foreign Office

Born on September 29, 1904 in Bremen.
Married.

After matriculating (1923), studied jurisprudence (1923 - 1924) and commerce (1925 - 1926). Subsequently employed in the fields of foreign trade and merchandise shipping. Since 1939 in the Public Service.

- 1939 - 1945 : Shipping expert in the German Embassy in Copenhagen (assigned by the Reich Ministry of Transport).
- 1946 - 1950 : Representative of West German Chambers of Commerce in Copenhagen.
- 1950 - 1953 : Chief, Economics Division, Copenhagen Embassy.
- 1953 - 1955 : As Consul (first class), represented the trade interests of the Federal Republic of Germany in Helsinki.
- 1955 - 1958 : Ambassador of the Federal Republic of Germany to Denmark.
- 1958 - 1961 : As director (Ministerialdirektor), Chief of the Eastern Division of the German Foreign Office.
- 1961 - 1965 : Ambassador of the Federal Republic of Germany to India.
- August 31, 1965 : Retired (at his own request).
- January 26 to
April 28, 1967 : Entrusted with the leadership of the German delegation for the German-American-British exchange equalization negotiations (tripartite discussions).
- October 27, 1967: Appointed Undersecretary (Staatssekretär) in the German Foreign Office.

July 19, 1968

Mr. McNamara's Meeting with Minister Wischniewski and Dr. Dumke of Ministry for Economic Cooperation, Monday, July 1, 10:00 a.m., Bonn

The Minister, who is to become Secretary General of the Social Democratic Party in early October, welcomed Mr. McNamara and emphasized the good relations which had always existed between Germany and the World Bank. Mr. McNamara explained the purpose of his visit and asked the Minister for his views on the Bank's policies and operations. The Minister stated his belief that the World Bank was a very useful instrument to further economic development adding, however, that there was some discussion in Germany on the relative usefulness of multilateral as against bilateral aid. Against this background, the Minister stressed the significance of the increase of the German contribution to the second replenishment of IDA.

The Minister welcomed the proposal for a Grand Assize hoping that the members of the Grand Assize would be completely independent from governments. He also expressed the hope that the Grand Assize investigation be limited to the quality of aid rather than the volume. Recommendations on the volume of aid would properly have to be reserved to the politicians. The Minister concluded by offering his help in finding a suitable German candidate for the Grand Assize. Mr. McNamara, in reply, agreed with the Minister on the independence of the Grand Assize. He added, however, that so far he had not made much progress in finding a suitable Chairman of the Grand Assize.

As far as East European countries were concerned, the Minister favored their membership provided they were willing to accept all the obligations that go with it. In this context, he mentioned that the Romanian Ambassador had come to ask for information on the World Bank and OECD. Mr. McNamara replied that he, as a former Secretary of Defense, had made a special point of going to Romania to make clear that he would welcome Romanian and Czechoslovakian membership in the World Bank Group. However, he fully appreciated that the Romanian Government might find certain requirements of IMF membership rather onerous.

The Minister who is known to be a friend of the Arabs, particularly welcomed Mr. McNamara's visit to Cairo and expressed the hope that the Bank could take an initiative investing in the Middle East, e.g., for a large-scale irrigation project in Sinai and settlement of refugees. Mr. McNamara replied that his visit to Cairo was exploratory only. He did not expect to make any financial commitment while in the UAR. However, he would try to work out a relationship with the UAR that would ultimately permit investments in that country and, if both the UAR and Israel agreed, investments in regional projects in that area.

With respect to the reported intention of the World Bank to reduce IDA credits to India and Pakistan, the Minister expressed his disapproval of a cut in multilateral credits at a time when U.S. and U.K. bilateral aid to that region is also reduced. Mr. McNamara replied that a reduction of the relative IDA contribution to India and Pakistan was a condition of the second IDA replenishment. However, the contemplated reduction in credits to this area from 72% to 52% of all credits under this second replenishment did not mean a reduction of IDA assistance in absolute amounts.

In this context, Mr. McNamara mentioned the transfer of Bank profits to IDA and intimated that he would recommend a transfer of a substantial share of Bank profits to IDA this year and hoped that such recommendation would be supported by the German Government. Mr. McNamara also expressed the hope that the German Government would support the industrial imports credit to India.

On the commodity study, the Minister stated that his Government, unlike the French Government, strongly believed in the importance of a free world trade for development which should not be handicapped by restrictive commodity arrangements. Mr. McNamara felt it would be inappropriate for him to comment on the study as long as it was not completed.

With respect to the supplementary financing scheme, the Minister voiced strong concern about its financial implications. Mr. McNamara reassured him that no final decision on the scheme would be taken without a clear and thorough evaluation of its financial consequences.

Finally, the Minister opposed setting up new consortia since such consortia lead the aid recipient to expect each year the same or increased contributions from the consortium members. Consultative groups, on the other hand, performed a useful function in the Minister's opinion provided the World Bank would increase and improve the preparatory staff work. Mr. McNamara replied that he did not contemplate new consortia in the near future. He concurred with the Minister's evaluation of consultative groups and promised increased staff work in preparation of meetings of these groups.

Rainer B. Steckhan
Rainer B. Steckhan

cc: Sir Denis Rickett
Files

Hans-Jürgen WISCHNEWSKI, Federal Minister of Economic Cooperation, was born on July 24, 1922 in Allenstein, East Prussia. From 1927 onwards his childhood was spent in Berlin where he matriculated in 1940. He saw active service in the Second World War from 1940 to 1945 and was twice wounded.

After the end of the war Wischnewski worked in the metal industry and with IG Metall.

He became a member of the SPD in 1946 and is currently Chairman of the Cologne Regional Party Association and a member of the Central Rhine Executive Committee and of the SPD Party Council. Between 1959 and 1962 he was National Chairman of the Young Socialists. Visits abroad have taken him to almost all the European countries and most of the African nations.

Since 1957 he has represented the SPD in the German Bundestag. Between 1961 and 1965 Wischnewski also belonged to the European Parliament. Especially interested in African problems, Wischnewski has made numerous visits to the African continent for study purposes. He has taken part in many African Conferences and, for instance, in early 1960 was the only German politician to attend the Pan-African Congress in Tunis (January 25 to 29, 1960).

Wischnewski is President of the Board of the German Institute for Developing Countries, President of the German-Algerian Society and a Member of the Presiding Committees of the German-Africa Society, the German-Tunisian Society and the German United Nations Association.

In 1966 Wischnewski made a political fact-finding visit to Poland, Hungary and Czechoslovakia.

In December 1966 Wischnewski became Federal Minister of Economic Cooperation.

Wischnewski has been married to Irene, née Möbius, since 1955.



July 19, 1968

Mr. McNamara's Meeting with Minister Schiller, Monday, July 1, 11:30 a.m., Bonn

Minister Schiller was accompanied by Undersecretaries Arndt and V. Dohnanyi and Messrs. Hankel, Schittinger, Hannemann and Koinzer

Mr. McNamara expressed his appreciation to the Minister for the generous cooperation of the Federal Government in the marketing of World Bank bonds in the German capital market. He then outlined the Bank's borrowing and lending program for the upcoming fiscal year. He explained that apart from the \$100 million already borrowed the Bank intended to borrow \$50 million from the Deutsche Bank in September, another \$50 million from the Giro Zentrale after January 1 and \$50 million from the Deutsche Bank in the first half of 1969. In view of the high cost of borrowing, Mr. McNamara emphasized the necessity to raise the lending rate. As to the level of lending, it was planned to raise it for fiscal 1969 by about one-third above the 1968 level. The emphasis would be on loans for agriculture and education.

Mr. McNamara then invited Prof. Schiller to comment on the Bank's policies and operations.

The Minister stated that he was a great believer in the World Bank and the principle of multilateral aid whereas both Strauss and Kiesinger were in favor of bilateral aid. In this context, the Minister mentioned the desirability of sending a group of German parliamentarians to the World Bank to explain to them the efficiency of World Bank operations and the superiority of multilateral over bilateral aid. Mr. McNamara warmly welcomed this idea and expressed his willingness to extend an invitation through the appropriate channels.

At the Minister's request, Mr. McNamara stated where the Grand Assize stood. Schiller expressed himself in favor of the idea of a Grand Assize as a way of demonstrating to the public the advantages of multilateral aid. The Minister concluded by mentioning Dr. Donner as a suitable candidate for the Grand Assize.

At Prof. Schiller's request, Mr. McNamara then elaborated on the state of the commodity study. The Minister was reluctant to support this study although it was, as he was well aware, strongly backed by France. Schiller felt that his Government should be given adequate time to consider any draft proposal prepared by the Bank and for that reason doubted whether the study could be ready for discussion by the Governors at the upcoming Annual Meeting. Mr. McNamara concurred.

Minister Schiller made a strong plea for selecting Berlin as the place of the 1970 Annual Meeting. Mr. McNamara drew the attention of the Minister to the problems involved. Although he, Mr. McNamara, would not personally oppose Berlin, he foresaw political problems. Hence the Bank should not take a position until the three powers had worked out a position with Germany.

In reply to the Minister's question on the possibility of a World Bank loan to Czechoslovakia, Mr. McNamara stated that this was not possible under the Bank's Articles of Agreement--not even with the guarantee of the FRG--unless Czechoslovakia became a member.

Before leaving, Mr. McNamara asked the Minister to support his recommendation for a substantial transfer of Bank profits to IDA and for an industrial imports credit to India.

cc: Sir Denis Rickett
Files

Rainer B. Steckhan
Rainer B. Steckhan

Mr. McNamara - briefing for Germany.
MBS 6/26

Mr. S. R. Cope

Room 640

OUTLINE BIOGRAPHY

Professor Karl Schiller, Dr. rer. pol.

Born April 24, 1911 at Breslau; Protestant; married, 4 children

- 1931 Matriculated Reform-Realgymnasium, Kiel.
- 1931 - 1935 Studied economics and sociology at the Universities of Kiel, Frankfurt am Main, Berlin, Heidelberg.
Graduated in Economics (Diplom-Volkswirt), 1934.
Dr. rer. pol. (doctorate in political science), 1935.
- 1934 - 1935 Assistant professor, University of Heidelberg.
- 1935 - 1941 Head of research team, Institute of International Economics, University of Kiel.
- 1941 - 1945 Army service.
- 1944 Associate Professor, University of Rostock.
- 1945 - 1946 Visiting professor, University of Kiel.
- 1947 onwards Full professor of economics, University of Hamburg; Director of the Socio-economic Seminar and of the Institute of External Trade and Overseas Economic Affairs, University of Hamburg.
- 1947 onwards Member of the Scientific Advisory Council of the Federal Ministry of Economic Affairs.
- 1963 - 1966 Member of the Scientific Advisory Council of the Federal Ministry of Economic Cooperation.
- 1948 - 1953 Senator and Chairman of the Economics and Trade Authority of the Free Hansa City of Hamburg.
- 1949 - 1953 Member of the German Bundesrat (Upper House of Parliament).
- 1949 - 1957 Member of the Hamburg City Council (Bürgerschaft).
- 1956 - 1958 Rector of the University of Hamburg.
- 1958 - 1960 Member of the Scientific Council.
- 1961 - 1964 Senator for Economic Affairs, Berlin.
- 1962 - 1964 Deputy Chairman of the Committee on Economic Policy of the Executive Committee of the SPD (Social Democratic Party of Germany), Bonn.

TRANSLATION SECTION E-600/68

Translated From: German: 6/25/68 By: JHH:afe

1964 onwards Chairman of above Committee.

1964 Member of the Executive Committee of the SPD.

1965 Member of the Bundestag (Lower House of Parliament), Deputy
Group Chairman and Spokesman on Economic Policy of the SPD
Group.

1966 Member of the Presiding Council (top Executive Committee)
of the SPD.

January 12,
1966 onwards Federal Minister of Economic Affairs.

CURRICULUM VITAE

of the Federal Minister of Economic Affairs, Prof. Karl Schiller, Protestant; married to Anna Maria, née Vogt; 4 children (Barbara, Bettina, Christa, Tonio).

- April 24, 1911 Born in Breslau, the son of an engineer.
- 1931 Matriculated at Kiel.
- 1931 - 1935 Studied economics and sociology at the Universities of Kiel, Frankfurt, Berlin and Heidelberg.
- 1934 Examination for Diploma in Economics.
- 1935 Graduated as Dr. rer. pol. (Dr. Political Science).
- 1934 - 1935 Associate professor, University of Heidelberg.
- 1935 - 1941 Head of research team, Institute of International Economics, Kiel
- 1939 Qualified as assistant professor (Privatdozent), University of Kiel.
- 1941 - 1945 Army service, rising to 1st Lieutenant.
- 1944 Invited to be Assistant Professor, University of Rostock.
- 1945 - 1946 Visiting Professor, University of Kiel.
- 1947 onwards- Full professor of Economics, University of Hamburg. Director of the Institute of External Trade and Overseas Economic Affairs and of the Socio-economic Seminar of the University of Hamburg.
- Lectures on economic theory, economic policy and foreign trade and payments. In particular, Schiller developed a modern and comprehensive theory of economic policy. He combined the results of extended study trips overseas with his theory of economic policy to produce one of the first self-contained accounts in lecture form of "The Growth Problems of the Developing Countries."
- 1956 - 1958 Rector of the University of Hamburg. He made an important contribution to the rapid expansion and rebuilding of the university.

- 1958 - 1960 Member of the Scientific Council. Played a decisive role in the preparation of the first major report of the Council on the expansion of scientific institutions.
- 1947 From its establishment, a member of the Scientific Council of the Federal Minister of Economic Affairs.
- 1963 - 1966 Member of the Scientific Council of the Federal Minister of Economic Cooperation.
- 1946 onwards Member of the SPD (Social Democratic Party of Germany). In the same year invited by the Hamburg Senate to head an expert committee on the preparation of a program for the reconstruction of the economy of Hamburg. His "Memorandum on the Future Economic Development of Hamburg," published in 1947, was one of the first and most comprehensive analyses of the structure of a region and laid the foundations for the reconstruction of Hamburg as an economic center, while pointing the way to Hamburg's industrialization policy.
- 1948 - 1953 Senator and Chairman of the Economic and Trade Authority of the Free Hansa City of Hamburg. During this period he sought to accelerate the rebuilding of the port and the reconstruction of the shipbuilding industry and the merchant fleet, as well as to develop new methods for financing shipbuilding.
- 1949 - 1953 Member of the German Bundesrat, where he played a decisive role in legislation affecting the European Coal and Steel Community and in the passage of the law against restraints on competition.
- 1949 - 1957 Member of the Hamburg City Council (Bürgerschaft), where between 1954 - 1957 he was spokesman on Economic Policy for the SPD Group.
- 1951 Presentation of "Governing Principles of Economic Policy," calling for economic policy measures to supplement the operation of the free market economy. Concept of "Free Socialism".
- 1952 "Guidelines for the Practical Formulation of our Economic Policy from the Socialist Standpoint." This played an important role in the development of a new approach to economic policy at the SPD party rally at Dortmund.
- 1953 Principal Report to the SPD Congress on economic policy at Bochum Formulation of the guiding principle, "Competition as far as possible: planning as far as necessary," included in the 1954 Dortmund Action Program.

- 1961 - 1965 Senator for Economic Affairs in Berlin in the critical period after the building of the Wall. Forceful shaping of the Berlin Aid Act, principally through intensified promotion of investment activity in the city.
- 1962 and 1963 Extended visits to the U.S.A.; discussions with President Kennedy and his colleagues resulting in a strengthening in the American economic commitment in Berlin.
- 1962 - 1964 Deputy Chairman of the Committee on Economic Policy of the SPD Executive Committee at Bonn.
- 1964 onwards Chairman of this Committee; formulation of SPD's financial and economic policy platform for the party rally at Karlsruhe.
- 1964 Elected members of the SPD Executive Committee at Karlsruhe.
- 1965 Member of the Bundestag. Deputy Chairman of and Economic Spokesman for the SPD Group.
- 1966 Member of the SPD Steering Committee (restricted Executive Committee).
- December 1,
1966 onwards Federal Minister of Economic Affairs.

The following are among his many publications:

- "Problems and Experiments. Toward a new Economic and Social Order. Speeches and Essays," Hamburg, 1953.
- "The Economist and Society. The Freedom Factor and the Social Factor in Economic Policy," Stuttgart, 1964.
- "The Berlin Economy and German Politics. Speeches and Essays, 196 - 1964," Stuttgart, 1964.

Address: Federal Ministry of Economic Affairs, Bonn. Telephone: 3061

Private address: Hamburg-Blankenese

CURRICULUM VITAE

Dr. Klaus von DOHNANYI

Married, three children.

Born in Hamburg on June 23, 1928, the son of Hans von Dohnanyi, legal counsel of the Supreme Court of the former German Reich.

- 1946 : Matriculated.
- 1946 - 1949 : Legal studies at the University of Munich.
- 1950 - 1951 : Studies at Columbia, Stanford and Yale Universities, USA.
- 1951 - 1952 : Max-Planck Institute for Private International Law.
- 1952 - 1953 : Completed studies at Yale (LLB).
- 1953 : Returned to Max-Planck Institute.
- 1952 - 1953 : Employed by a firm of New York attorneys and by the Ford Motor Company.
- 1954 - 1960 : Ford Motor Works, Cologne.
- 1956 - 1960 : Chief, Planning Division, Ford Motor Works, Cologne.
- 1960 onwards : Managing Partner in the Institute of Economic and Social Research (Infratest); Chief, Planning and Projections Section.

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August 2, 1968

MEMORANDUM OF CONVERSATION

Mr. Aldewereld called today to say:

1. Acting in accordance with my instructions, and after discussions with the Ministry of Economics, he had negotiated the sale through the Deutchesbank of a DM 400 million bond issue of 12 years maturity, carrying a 6-1/2% annual coupon. The issue will be sold at par and the commission will be 1-3/4%. The net cost to the Bank will be 6.61%.
2. The parties are prepared to sign the agreement August 6 and, therefore, we should plan to obtain the approval of our Board on August 6.
3. The Economics Ministry recommends that we enter the market now rather than wait, as was our original plan, until mid-September. They believe the market situation is favorable now and its future is uncertain. Currently, there is a lull as the Government sold a DM 300 million issue three weeks ago, but now has no immediate borrowing plans. The Economics Ministry considers the interest rate favorable to the Bank and, although they can't rule out the possibility of lower rates in the future, they think any drastic drop unlikely.
4. The last Federal Government issue marketed about three weeks ago was in the amount of DM 3 million and was sold at 99-1/2 with a 6-1/2% coupon. In small amounts it is now selling at 101.

Robert S. McNamara

August 2, 1968, 9 AM to 10.30 AM - Bonn - Economics Ministry

Present: Dr. Durre, Messrs. Koinzer and Gamedinger
S. Aldewereld and R.W. Cavanaugh

Dr. Durre said that the question of the DM 400 million bond issue had been discussed internally in the Economics Ministry prior to my arrival. He said that the consensus within the Ministry is that the market situation is favorable and that the World Bank should use the present opportunity of borrowing publicly a sizeable amount in the German capital market. The Ministry suggested that we do this now because the further development of the market is uncertain. He added that the German Government has no borrowing plans at present.

Dr. Durre said that they had taken up contact with the Ministry of Finance about the Federal Government's official approval of this issue and that, although they had had no final reply, he expected no difficulty from the Ministry of Finance on this point. He mentioned specifically that in the discussions between the Finance Ministry and the Economics Ministry attention was given to the question whether to wait for improvement of market conditions and that they had reached the conclusion that it would be inadvisable to wait and that we should proceed right away. Dr. Durre said that the possibility of a fall in the long term interest rate to, say, 6% should not be ruled out but that this is very uncertain and that, if it should materialize, would take a long time. He added that on the basis of the present prices on the German stock exchange the yield on long term Government securities was about 6-1/2%. He suggested, therefore, that we go for a 6-1/2% interest rate at par for 12 years, yearly coupon.

I asked Dr. Durre's advice on the possibility of issuing the 6-1/2% bonds at a premium. Dr. Durre's reaction was not to do this because the German buyer of bonds is psychologically against paying above par when the repayment at maturity is at par. I then asked what he thought about 6-1/4% coupon to be placed in the market at a discount. Dr. Durre advised also against this for the following reasons: In the first place, he was convinced that the issue if priced at 6-1/2% would be bought by many small investors. The German investor, according to Dr. Durre, does not like what he called a fractional coupon rate and therefore the choice would be between a 6-1/2% or 6% rate. Since 6% was presently out of the question, he said it should be 6-1/2%. He added "leave good enough alone" the more so because the contemplated amount is big for the market and he would like to see the German buyer happy about his purchase (by the price

President has seen

going above par after the offering date). This way we establish a good foundation for future offerings to the German investors.

I told Dr. Durre that his advice was very helpful, that I would now return to Frankfurt for a meeting with the German bankers and that I would telephone him later in the day about the result of these discussions.

SAldewereId:mk
August 8, 1968

August 2, 1968, 1PM to 5PM - Frankfurt - Deutsche Bank

Present: Dr. Guth, Dr. Feith, Dr. Krebs
S. Aldewereld and R.W. Cavanaugh

I asked how much they would place in Germany. Dr. Guth answered that at least 70% - 75% would be placed inside Germany, mostly with small investors. The foreign demand would come mainly from Switzerland.

I asked what the terms of the last German Government issue had been. They said it was 6-1/2% at 99-1/2%, 12 years, annual coupon in the amount of DM 300 million. This issue took place about three weeks ago. This issue is now quoted at 101. I said that, therefore, it was quite reasonable for the Bank to expect better terms than they offered. I suggested a 6-1/4% coupon to be offered at slightly below par. The representatives of the Deutsche Bank argued strongly against my suggestion. They gave the following reasons:

- 1) The price they offered is better than that for the Federal Government issue (100% against 99-1/2%).
- 2) The issue is very big.
- 3) It should not go below par at the time of offering but rather should go up to leave a good feeling with the investor. In this connection they said that they do not expect the insurance companies will buy much. /1

On the question of the commission of 1-3/4%, foreign borrowers pay 2-1/2% or more. The Federal Government used to pay 1-3/4%, but this was reduced to 1-5/8% on the occasion of the last DM 300 million issue. I felt that I should not push the question of the commission too hard because:

- 1) the amount involved would be equivalent to only \$125,000 on a \$100 million issue; and
 - 2) in view of the tight time schedule (offering August 12) there was not much time left for possible internal negotiation within the consortium. /2
-

/1 This may be borne out by the fact that the issue will be divided into 200,000 bonds of DM 1,000 and 40,000 bonds of DM 5,000.

/2 On August 3 Dr. Guth told me that he was happy that I did not push the commission question because he was convinced that he could not have lowered it. I answered him that I was not so convinced as he was, and that the commission question would be raised by me with him again on the occasion of his visit to Washington during the Annual Meeting.

President has seen

I told the representatives of the Deutsche Bank that we might have a deal but that I wanted to talk with Mr. McNamara about it. I talked with Mr. McNamara on the telephone and he agreed to a DM 400 million issue at $6\frac{1}{2}\%$, 12 year straight, annual coupon, to be issued at par with commission of $1\text{-}3/4\%$ (cost to us: 6.608%).

After the telephone conversation I told the representative of the Deutsche Bank that we had a deal. I added that we still did not have the official approval of the Economics Ministry. As promised, I telephoned Dr. Durre in Bonn and we agreed that I would send a telegram to him immediately on behalf of the Bank to ask official approval of the proposed issue. This telegram was sent at 4PM and at 5PM I received from Dr. Durre a telegram in which he informed me that both the Finance Ministry and the Economics Ministry had given their official approval and that they had cabled the German Executive Director accordingly with the request to immediately communicate with Mr. McNamara.

The only additional thing of interest in the discussion with the Deutsche Bank was that they said that their relations with the Rheinsche Girozentrale in Dusseldorf were good and that there are no hard feelings on either side about the possible roles of both institutions in World Bank financing.

SAldewereld:mc
August 8, 1968

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Monday, August 5 - Bundesbank - Frankfurt

I had an appointment with Dr. Emminger in the Bundesbank at 6PM on August 5 (Dr. Blessing being out of town), but since Dr. Emminger had returned to Frankfurt from Munich later than expected we had a long telephone conversation from 7:30 to 8PM. I gave him the results of the discussions both in Bonn and in Frankfurt on the proposed public issue and he said that he considered these results as very satisfactory.

I took the opportunity of talking with him about the renewal of the \$32 million notes (half in dollars, half in DM) maturing on October 1. He said that the Bundesbank Board had taken no decision but he was convinced that a favorable decision about renewal would be taken. He added that the Bundesbank had not yet arrived at a conclusion as to the formula for setting the interest rate but that their research had indicated already that in the past there apparently had been a number of formulas. I suggested to him that in about two or three weeks, at which time they would have crystallized their thoughts about the formula, we would have a telephone conversation with the objective to agreeing on such a formula, not only for the issue maturing October 1 but also for subsequent issues. He agreed with this proposal and said he would write me beforehand so that we would be sure that both of us would be available for this telephone conversation. I thanked Dr. Emminger for the help extended to us on this and previous occasions both in the renewal of the Bundesbank notes and in the raising of money in the German market.

SAldewereld:mc
August 8, 1968

President has seen

Helmut Schmidt

Floor-leader of the Social Democratic Party (SPD) in the German Parliament (Bundestag)

Vice-Chairman of the Social Democratic Party of Germany (Chairman is Vice-Chancellor and Foreign Minister Willy Brandt)

Born: December 23, 1918, in Hamburg

1939 - 1945	Served in the German Army
1946 - 1949	Economic Studies in Hamburg
1949	Final examinations
1949 - 1961	City Administration Hamburg
1961 - 1965	Senator of Interior, City of Hamburg
Since 1946	Member of the SPD;
Since 1953	Member of the Bundestag;
Since 1958	Member of the National Presidium of the SPD.

Mr. Schmidt became Deputy Floor Leader in 1965 and succeeded Fritz Erler, who died in February, 1967.

Mr. Schmidt is married and has one daughter.

His hobbies include painting and organ playing.

President has seen



Record Removal Notice

File Title Contacts with member countries: Germany - Correspondence 01		Barcode No. 1771056		
Document Date Oct 3, 1968	Document Type Letter			
Correspondents / Participants S. Aldewereld to Robert S. McNamara (Board of Governors 1968 Annual Meetings)				
Subject / Title Discussion with Prof. K. Schiller, Minister of Economics, Federal Republic of Germany				
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Simp, Dec 18
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

December 9, 1968

MEMORANDUM FOR MR. ALDEWERELD

Siem:

When you return please remind me to review
with you my conversation with Mr. Erich Bachem.

Mention to Aldewereld Bachem's suggestion that we could meet Schiller's concern over the impact of large IBRD issues on the German interest rate by raising the same amount through a large number of small private placements. Bachem states he "uses this technique and by doing so has avoided any large issue for almost a year."

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Raymond J. Goodman *RJG*

SUBJECT: Mr. Bachem's call on you tomorrow, Saturday, December 7

DATE: December 6, 1968

Mr. Erich Bachem, a member of the management team of Kreditanstalt für Wiederaufbau, has been in Washington this week, mainly to discuss with the Bank and the Fund the arrangements for Dr. Hermann Abs' study of Indonesia's debt problem. He is calling on Mr. Schweitzer this afternoon at 3:00 and on you at noon tomorrow. These are essentially courtesy calls, but as he may refer to the arrangements that he and I have provisionally agreed, I am outlining them below:

1. Mr. Bachem asked the Bank to draft the terms of reference for the study, and I agreed on the understanding that they would not be attributed to the Bank. The attached draft is acceptable to him and also to the Fund at staff level. It has been drafted in the form of a letter to Dr. Abs from M. Deguin, the Chairman of the Paris Club of Indonesia's creditors.

2. Mr. Bachem strongly pressed us and the Fund each to assign a staff member to the study, who together with himself and a staff member from the Deutsche Bank, ~~they~~ would form a team to formulate proposals and enter into preliminary negotiations with the various creditor countries. I declined to accept this proposal - as I am sure the Fund will too - on the principal ground that it would be incompatible with the wish of the Paris Club that the Bank and Fund should not carry any responsibility for the study. Mr. Bachem accepted this position but I have agreed that Dr. Abs may look to us to provide data on Indonesia's debts, together with projections of the country's export earnings and, if he wishes, also ideas on an appropriate rescheduling of the debt. I am arranging for Mr. Wouter Tims, the country economist on Indonesia, to spend two or three days in Frankfurt early next January to explain and amplify the statistical material we have provided. Mr. Bachem proposes to come to Washington about mid-February to discuss with us and the Fund Dr. Abs' preliminary ideas on proposals to be put by him to the creditor countries in the course of a series of visits he will be making in the following weeks.

3. A very preliminary estimate of the cost of the study is \$75,000, to cover the expenses of Dr. Abs and his team in visiting the various creditor countries; no fees or salary costs would be involved. Mr. Bachem feels that this amount might be shared by the countries concerned, and I mentioned that you have already agreed that the Bank would make some contribution. The various country contributions would probably have to take the form of a technical assistance grant for Indonesia, and I have also agreed, subject to your approval, that the Bank would administer these funds on behalf of all concerned.

President has seen

*Mr. Bachem is not a nephew of Mr. Abs' as stated erroneously in an earlier briefing
RJS 12/6*

4. After he has conferred with Dr. Abs next week, Mr. Bachem will send us for comment a draft letter from Abs to Deguin enclosing the proposed terms of reference. This letter will outline the arrangements for the study including a proposal as to cost sharing.

Attachments

- a) Draft terms of reference letter.
- b) Minute by Bank representative of Paris Club meeting on November 25.

(To be sent from M. Degun to Dr. Abs)

PROPOSED TERMS OF REFERENCE FOR THE ABS STUDY

Pursuant to the agreement reached on November 25, 1968, by the representatives of the participating creditor countries (The Paris Club on Indonesia's Foreign Debt), I am very pleased that you are able to undertake a study of the prospects of Indonesia's balance of payments and of the problems arising from her burden of servicing external debt. It was the consensus of the meeting that the terms of reference for the Study should be couched in very general terms and that you should be free to suggest alternative courses of action for dealing with Indonesia's foreign debt situation. While you should not consider yourself obliged to negotiate with the participating governments or with the Indonesian Government, I hope that your report will reflect their reactions to your suggestions, and if possible, to alternative courses of action.

You will probably wish to consider the following points in carrying out the Study:

1. The principal impact on her balance of payments of the debt service obligations that Indonesia has already incurred, including that resulting from the rescheduling of payments originally due in the years 1967 through 1970 (on account of debts incurred prior to June 1966), will, according to present agreements and understandings, occur in the middle and later years of the decade starting in 1971. Taking into account this fact, together with the additional foreign debt obligations that Indonesia will need to incur to meet her continuing requirements for foreign assistance to enable her to achieve a reasonable rate of economic growth, you will probably wish to place particular emphasis on arrangements for

reducing the burden during this period. Both the prospects for continuing foreign aid on concessionary terms and the need to prevent Indonesia's gross annual capital inflow requirements from exceeding a figure that would be considered reasonable by the friendly governments will affect your conclusions. [In this connection, there was some difference of opinion expressed at the November 25 meeting as to whether the scope of your Study should or should not extend beyond that of dealing with the debt contracted prior to July 1, 1966, which, as you know, has been the concern of the Tokyo and Paris meetings of the participating governments. The Government of Japan favored such a limitation on the scope of the Study but the general consensus was that such a limitation would not be desirable.]

This portion may be transmitted separately

2. Any assessment of the impact of Indonesia's future foreign debt service liabilities, will, of course, necessarily involve an appraisal of the prospects for Indonesian exports for some time into the future. This in turn will mean both an examination of the supply and demand for Indonesia's principal export commodities and her domestic economic policies. The International Monetary Fund and the IBRD have already devoted considerable attention to these questions, and the Indonesian Government has indicated in general terms the domestic economic policies that it intends to pursue in the foreseeable future. I hope that the results of these studies and indications of national policy may be helpful to you.

3. An important feature of Indonesia's foreign debt situation is, of course, the fact that over half the debt incurred prior to July 1, 1966, is owing to countries not participating in the Paris Club, including

particularly the U.S.S.R. and other socialist countries. At present, these countries are not providing new economic assistance for Indonesia. You will, of course, appreciate that the willingness of participating governments to make further adjustments in connection with the servicing of debt incurred prior to July 1, 1966 (as well as the terms on which they will be willing to provide additional foreign aid to Indonesia) may depend upon the possibility of Indonesia persuading the non-participating governments to take similar action; in other words, a solution confined to securing more favorable terms for additional aid from the participating countries while present arrangements stand for servicing the amounts owed non-participating countries may not be acceptable.

The IBRD and IMF have offered full cooperation in making available to you the information they have on Indonesia's foreign debt position, as well as other aspects of the Indonesian economic situation. They have also indicated their willingness to prepare materials showing the effects of alternative solutions to Indonesia's foreign debt problems and to consult with you and your associates regarding such materials. If you should avail yourself of this cooperation with the Bank and the Fund, it would of course be clearly understood by all parties concerned that these institutions bear no responsibilities for the Study.

The representatives at the November 25 meeting expressed their gratitude to you for undertaking this difficult and highly important work. I hope that you will be able to complete your report by June 30, 1969.

*Mr. McNamara - to see, please.
ABS 12/10*

OFFICE MEMORANDUM

TO: Records

DATE: December 9, 1968

FROM: Raymond J. Goodman *RJG*SUBJECT: Mr. Bachem's call on Mr. McNamara on December 7, 1968

Mr. Erich Bachem called on Mr. McNamara on Saturday, December 7, to discuss the arrangements for Dr. Hermann Abs' study of Indonesia's debt. Mr. McNamara endorsed the arrangements agreed between Mr. Bachem and myself, as outlined in the attached brief.

As to the cost of the study, Mr. McNamara said he thought the estimate of \$75,000 was high, and Mr. Bachem agreed but said that he had wanted to start with a figure likely to be well on the high side so that it would not be necessary to go to the contributors a second time. Mr. McNamara confirmed the Bank's willingness to make an appropriate contribution and asked me to work out arrangements under which the Bank would administer the funds on behalf of all concerned.

(Note: Mr. Bachem told me that he had met Mr. Schweitzer and Mr. Southard the previous day. They told him that they had no difficulty with the terms of reference that had been drafted by us, and that the Fund would cooperate in providing information and technical advice to Dr. Abs in carrying out the study. Mr. Bachem said he had asked them if the Fund would provide a staff member to go on tour with Dr. Abs and act as technical adviser. Mr. Southard said he would keep an open mind about this possibility, although he would prefer not to have the Fund directly associated with the Abs mission in this way.)

When Mr. Bachem made the same request to me I too said that I would not rule the suggestion out of court but that I did not think that the Abs team, given the advance briefing they would have from us and the Fund, would in fact need to have a Bank man attached to their mission.)

Attachments: Brief to Mr. McNamara dated December 6.
Draft terms of reference for Dr. Abs.

cc: Messrs. Knapp
Shoaib
Cope
Ripman
Karasz

President has seen

Mr. Robert S. McNamara

December 6, 1968

Raymond J. Goodman

Mr. Bachem's call on you tomorrow, Saturday, December 7

Mr. Erich Bachem, a member of the management team of Kreditanstalt für Wiederaufbau, has been in Washington this week, mainly to discuss with the Bank and the Fund the arrangements for Dr. Hermann Abs' study of Indonesia's debt problem. He is calling on Mr. Schweitzer this afternoon at 3:00 and on you at noon tomorrow. These are essentially courtesy calls, but as he may refer to the arrangements that he and I have provisionally agreed, I am outlining them below:

1. Mr. Bachem asked the Bank to draft the terms of reference for the study, and I agreed on the understanding that they would not be attributed to the Bank. The attached draft is acceptable to him and also to the Fund at staff level. It has been drafted in the form of a letter to Dr. Abs from M. Deguin, the Chairman of the Paris Club of Indonesia's creditors.

2. Mr. Bachem strongly pressed us and the Fund each to assign a staff member to the study, who together with himself and a staff member from the Deutsche Bank, they would form a team to formulate proposals and enter into preliminary negotiations with the various creditor countries. I declined to accept this proposal - as I am sure the Fund will too - on the principal ground that it would be incompatible with the wish of the Paris Club that the Bank and Fund should not carry any responsibility for the study. Mr. Bachem accepted this position but I have agreed that Dr. Abs may look to us to provide data on Indonesia's debts, together with projections of the country's export earnings and, if he wishes, also ideas on an appropriate rescheduling of the debt. I am arranging for Mr. Wouter Tims, the country economist on Indonesia, to spend two or three days in Frankfurt early next January to explain and amplify the statistical material we have provided. Mr. Bachem proposes to come to Washington about mid-February to discuss with us and the Fund Dr. Abs' preliminary ideas on proposals to be put by him to the creditor countries in the course of a series of visits he will be making in the following weeks.

3. A very preliminary estimate of the cost of the study is \$75,000, to cover the expenses of Dr. Abs and his team in visiting the various creditor countries; no fees or salary costs would be involved. Mr. Bachem feels that this amount might be shared by the countries concerned, and I mentioned that you have already agreed that the Bank would make some contribution. The various country contributions would probably have to take the form of a technical assistance grant for Indonesia, and I have also agreed, subject to your approval, that the Bank would administer these funds on behalf of all concerned.

4. After he has conferred with Dr. Abs next week, Mr. Bachem will send us for comment a draft letter from Abs to Deguin enclosing the proposed terms of reference. This letter will outline the arrangements for the study including a proposal as to cost sharing.

Attachments

- a) Draft terms of reference letter.
- b) Minute by Bank representative of Paris Club meeting on November 25.

RJGoodman:ypg

(To be sent from M. Doquan to Dr. Abs)

PROPOSED TERMS OF REFERENCE FOR THE ABS STUDY

Pursuant to the agreement reached on November 25, 1968, by the representatives of the participating creditor countries (The Paris Club on Indonesia's Foreign Debt), I am very pleased that you are able to undertake a study of the prospects of Indonesia's balance of payments and of the problems arising from her burden of servicing external debt. It was the consensus of the meeting that the terms of reference for the Study should be couched in very general terms and that you should be free to suggest alternative courses of action for dealing with Indonesia's foreign debt situation. While you should not consider yourself obliged to negotiate with the participating governments or with the Indonesian Government, I hope that your report will reflect their reactions to your suggestions, and if possible, to alternative courses of action.

You will probably wish to consider the following points in carrying out the Study:

1. The principal impact on her balance of payments of the debt service obligations that Indonesia has already incurred, including that resulting from the rescheduling of payments originally due in the years 1967 through 1970 (on account of debts incurred prior to June 1966), will, according to present agreements and understandings, occur in the middle and later years of the decade starting in 1971. Taking into account this fact, together with the additional foreign debt obligations that Indonesia will need to incur to meet her continuing requirements for foreign assistance to enable her to achieve a reasonable rate of economic growth, you will probably wish to place particular emphasis on arrangements for

reducing the burden during this period. Both the prospects for continuing foreign aid on concessionary terms and the need to prevent Indonesia's gross annual capital inflow requirements from exceeding a figure that would be considered reasonable by the friendly governments will affect your conclusions. In this connection, there was some difference of opinion expressed at the November 25 meeting as to whether the scope of your Study should or should not extend beyond that of dealing with the debt contracted prior to July 1, 1966, which, as you know, has been the concern of the Tokyo and Paris meetings of the participating governments. The Government of Japan favored such a limitation on the scope of the Study but the general consensus was that such a limitation would not be desirable.

2. Any assessment of the impact of Indonesia's future foreign debt service liabilities, will, of course, necessarily involve an appraisal of the prospects for Indonesian exports for some time into the future. This in turn will mean both an examination of the supply and demand for Indonesia's principal export commodities and her domestic economic policies. The International Monetary Fund and the IBRD have already devoted considerable attention to these questions, and the Indonesian Government has indicated in general terms the domestic economic policies that it intends to pursue in the foreseeable future. I hope that the results of these studies and indications of national policy may be helpful to you.

3. An important feature of Indonesia's foreign debt situation is, of course, the fact that over half the debt incurred prior to July 1, 1966, is owing to countries not participating in the Paris Club, including

particularly the U.S.S.R. and other socialist countries. At present, these countries are not providing new economic assistance for Indonesia. You will, of course, appreciate that the willingness of participating governments to make further adjustments in connection with the servicing of debt incurred prior to July 1, 1966 (as well as the terms on which they will be willing to provide additional foreign aid to Indonesia) may depend upon the possibility of Indonesia persuading the non-participating governments to take similar action; in other words, a solution confined to securing more favorable terms for additional aid from the participating countries while present arrangements stand for servicing the amounts owed non-participating countries may not be acceptable.

The IBRD and IMF have offered full cooperation in making available to you the information they have on Indonesia's foreign debt position, as well as other aspects of the Indonesian economic situation. They have also indicated their willingness to prepare materials showing the effects of alternative solutions to Indonesia's foreign debt problems and to consult with you and your associates regarding such materials. If you should avail yourself of this cooperation with the Bank and the Fund, it would of course be clearly understood by all parties concerned that these institutions bear no responsibilities for the Study.

The representatives at the November 25 meeting expressed their gratitude to you for undertaking this difficult and highly important work. I hope that you will be able to complete your report by June 30, 1969.

OFFICE MEMORANDUM

TO: Files

DATE: November 26, 1968

FROM: Fritz Steuber

SUBJECT: Indonesia - Meeting of the Paris Club;
Nomination of Expert to carry out study on debt problem

1. A meeting of the members of the Paris Club (Australia, France, Germany, Italy, Japan, Netherlands, U.K., U.S.) took place at the French Ministry of Finance in Paris on November 25 to discuss the appointment of an expert who should carry out a study on the Indonesian debt problem. The study, as well as the possibility of appointing an expert, had been referred to in the agreed minutes of the meeting of the Paris Club that took place on October 17, 1968.
2. As usual, Mr. Deguel (France) was in the Chair. The IERD and IMF were represented by observers. Mr. Karase and the writer attended for the Bank. The Indonesian delegation was headed by Mr. Rahmat Saleh, Deputy Governor of the Central Bank. Otherwise the members of the Club were represented by Embassy staff. The meeting lasted less than two hours and went fairly smoothly. The main decision taken was the appointment of Mr. Abs of the Deutsche Bank as the independent expert. There was also broad agreement regarding Mr. Abs' terms of reference.
3. Mr. Deguel first reminded the meeting that Mr. Abs (who was unable to be present) was willing to accept this assignment only if it met with the unanimous approval of members as well as that of the Indonesian Government. All delegations warmly endorsed Mr. Abs, stating that they could hardly think of a better choice. The Indonesians joined in this and said that they hoped Mr. Abs' study would produce "positive results".
4. Regarding Mr. Abs' terms of reference, everybody agreed that these in the first place should be based on the text of the agreed minutes. There was a consensus that the terms of reference could be drawn up in very general terms. While Mr. Abs should in no way consider himself a negotiator, nor an arbitrator, he should feel free to put forward a series of suggestions regarding debt relief, including alternative courses of action, and also state possible divergences of opinion among governments. Within this context, Mr. Abs should be given as much freedom as possible and the greatest possibility flexibility. The Dutch insisted, as they had done at the previous meeting, that the accent be on Indonesia's debt problem and not on the balance of payments situation as such, as some (especially the French) had suggested at the previous meeting. Deguel himself stated several times that he agreed with this approach. The Italians were just a little more careful, making an attempt to convince the Club that perhaps Mr. Abs might need some "guidance" in the course of the study, but they were not forceful enough to come out with what probably was really in their mind, i.e. a quite more restrictive interpretation of Mr. Abs' mission.

.../...

5. Everybody agreed that Mr. Abs would be solely and entirely responsible for the study and its conclusions and that governments would not be bound by suggestions for possible solutions they might at one time or another have given to Mr. Abs. It was also agreed that the Bank and Fund would, like the members, bear no responsibility for the study.

6. The Japanese proposed that debt contracted by the Indonesians after July 1, 1966 should be left out of the scope of the study. There was no support from other delegations for this suggestion, and Mr. Deguen thought that this would put serious limitations on Mr. Abs' freedom of action. He agreed, however, to inform Mr. Abs of the Japanese suggestion. The Netherlands thought that Mr. Abs should envisage the possibility of dealing with the "total debt problem" (including presumably that of the socialist countries, although they did not specifically say so). Deguen said that such a decision should be left to Mr. Abs.

7. Regarding the timing of the study, Mr. Deguen thought that the time limit of June 30, 1969 should be respected at all cost, since the last meeting had given a clear mandate in this respect. If by any chance Mr. Abs should feel that it was not possible for him to complete the study by that date, he would have serious doubts whether Mr. Abs should accept the appointment. The German delegation said, however, that they were certain that the timing would present no problem for Mr. Abs.

8. Mr. Karass and Mr. Guetta (IMF) made similar statements regarding Bank and Fund cooperation with regard to debt and other information. Mr. Karass also said that the Bank was prepared to consider financial assistance for the Abs' mission, but that in the absence of cost estimates (including for possible supporting staff), it was too early for us to make a decision in this respect.

9. The future course of action was then discussed, and the following was agreed:

- (a) Mr. Deguen would contact Mr. Abs within the next ten days or so to inform him of the discussions; in particular, he would endeavour to reach an agreement on the terms of reference, material arrangements and the possibility of Bank financial support would be discussed with the Bank's European Office;
- (b) On the basis of these conversations, Mr. Deguen, as Chairman of the Club, would produce a draft letter to Mr. Abs, incorporating the terms of reference, material arrangements, etc. This draft would then be circulated for clearance to members, through diplomatic channels. Mr. Deguen said that since a consensus on all major points seemed to have emerged at the meeting, he hoped that it would not be necessary to call another meeting to consider such a draft letter.

cc: Messrs. Goodman(2) ✓
Demuth
Karass
Wishart

Attachments:
Agreed Minute (French and English)
Two debt tables

AMENDED COPY OF TRANSLATION

PROPOSED AGREED MINUTE RELATING TO THE INDONESIAN
DEBT CONSOLIDATION MEETING (APPOINTMENT OF AN EXPERT)

November 25, 1968

Following the decision taken at the preceding meeting, on October 17, 1968, the representatives of the participating countries and of Indonesia as well as observers of the IMF and IERD met again in Paris on November 25, 1968. The purpose of the meeting was to appoint the expert to be entrusted with the study of the prospects of Indonesia's balance of payments and of the problems arising from the burden of external debt servicing.

The participating countries and Indonesia agreed to ask Mr. Herman ABS, Chairman of the Board of the Deutsche Bank, to accept to accomplish this mission and Mr. Abs was kind enough to accept the principle of such a mission.

Mr. McNamara:

Mr. von Hoff has also asked for
an appointment for Mr. Bachem.
May we schedule?

I suppose 20 minutes would be
sufficient. Technical details
could then be discussed between
Mr. Goodman and Mr. Bachem.

I think you have a note on
Bachem and on the debt study
to be undertaken by Mr. Abs.

RBS 11/23 11/24

RBS had
talk to



Saturday Schedule for
noon 11/24
Goodman should be
present + prepare a briefing
note book

Mr. McNamara - to see, please.
RBS 11/29

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INCOMING CABLE

DATE AND TIME
OF CABLE:

NOVEMBER 29, 1968

1422

LOG NO.:

ITT TELEX/29

TO:

MCNAMARA INTBAFRAD

FROM:

FRANKFURTMAIN

ROUTING

ACTION COPY: MR. MCNAMARA

INFORMATION
COPY: MR. GOODMAN

DECODED BY:

TEXT:

DEAR MR. MCNAMARA,

MAY I INTRODUCE TO YOU MR. HANS ERICH BACHEM AND ASK YOU TO RECEIVE HIM IF YOUR TIME PERMITS. MR. BACHEM WILL BE IN WASHINGTON FROM DECEMBER 3 THROUGH 7. HE IS A MEMBER OF THE BOARD OF MANAGEMENT OF THE RECONSTRUCTION LOAN CORPORATION AND IN ADDITION A HIGHLY RESPECTED MEMBER OF SEVERAL INTER-MINISTERIAL COMMITTEES WHICH ARE THE POLICY-FORMING BODIES ESPECIALLY FOR GERMAN DEVELOPMENT AID AND GOVERNMENT GUARANTEES FOR GERMAN EXPORT.

AS YOU MAY KNOW I HAVE JUST BEEN COMMISSIONED BY THE WESTERN CREDITOR COUNTRIES TO INDONESIA TO COMPILE A REPORT ON THE INDONESIAN BALANCE OF PAYMENTS SITUATION. I HAVE THEREFORE REQUESTED MR. BACHEM TO DISCUSS THE MATTER WITH YOU AND PARTICULARLY TO ESTABLISH IN HOW FAR MATERIAL ON INDONESIA IS AVAILABLE IN YOUR INSTITUTION AND IN HOW FAR I MIGHT COUNT ON THE GENERAL CO-OPERATION OF YOUR INSTITUTION IN MY MISSION. MR. BACHEM WOULD ALSO LIKE TO DISCUSS WITH YOU THE DELEGATION OF SOME OF YOUR STAFF, HOW MUCH TIME MIGHT BE INVOLVED IN THE MISSION, THE ADMINISTRATIVE ARRANGEMENTS IN CONNECTION WITH IT AND THE QUESTION OF COSTS.

IMMEDIATELY AFTER HIS ARRIVAL IN WASHINGTON, MR. BACHEM WILL CONTACT YOUR OFFICE, AND I SHOULD BE EXTREMELY GRATEFUL IF YOUR ENGAGEMENTS WOULD PERMIT YOU TO SEE HIM.

WITH KIND REGARDS, VERY SINCERELY YOURS

HERMAN J. ABS

MT

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

ORIGINAL

COMMUNICATIONS
GENERAL FILES

Nov 29 9 53 AM 1968

TYPED