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McNamara Papers

Contacts
Germany (1871-1872)

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177 1058

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Contacts with member countries: Germany - Correspondence 03

**DECLASSIFIED
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WBG Archives

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Files

DATE: April 14, 1970

FROM: John H. Adler *JA***DECLASSIFIED****DEC 04 2012**SUBJECT: Visit of A. Moeller, German Federal Minister of Finance**WBG ARCHIVES**

On April 9, 1970, Mr. A. Moeller, the German Federal Minister of Finance called on Mr. Knapp. He was accompanied by Dr. Hanemann and an interpreter. Sir Denis Rickett, Mr. Cope and Mr. Adler were also present. Mr. Moeller spoke in German; Mr. Knapp and Sir Denis in English.

Mr. Moeller said that he had come to talk about the IDA replenishment. He said that the German Government had not yet taken a decision but indicated that the subject would come before the Cabinet shortly. He referred to the discussion on IDA at the Paris meeting of the EEC Ministers of Finance in February and said that none of the EEC Finance Ministers had favored replenishment at the billion dollar level. Indeed, the French Minister had suggested a figure of only \$400 million. He added that the Ministers of Finance had neither the authority nor the intention to make a decision; what took place was only an exchange of views, and the German Government was glad to have the views of its EEC partners. (Sir Denis subsequently questioned whether he had correctly understood Mr. Moeller's account of the meeting because we had been informed that the Dutch Minister of Finance had explicitly proposed IDA replenishment at the billion dollar level, but Mr. Moeller was rather vague on the amount and how this matter had been left. He confirmed, however, that the Dutch had advocated replenishment "on the high side.")

Mr. Moeller explained the German attitude towards foreign aid at length. He said that he had advocated the setting up of an aid ministry as early as 1960, after a visit to the United States, and in 1961 such a ministry was actually established. He said that in general he favored multilateral aid but it must be realized that Germany was under pressure to increase bilateral aid also. He mentioned in particular that the United States and France, with whom Germany had a friendship pact, were constantly urging Germany to increase her bilateral aid. The French were especially anxious that Germany should provide aid to former French territories in Africa. African officials often came to Bonn to request aid at the urging of the French. As a result the net flow of development finance from Germany had risen in 1969 to 1.48% of GNP. Germany had also shown readiness to cooperate closely with other donor countries in the rescheduling of debt. In this connection he referred to a decision by the German Cabinet on March 21 to accept the Abs recommendation on the rescheduling of Indonesian debt. (When Mr. Knapp questioned him on this point, Mr. Moeller read a passage from a briefing paper which confirmed his previous statement.) He added that Germany had been approached to reduce interest payments, which had risen as a result of the DM revaluation. (He presumably referred to debt service payments.) Germany had refused these requests in principle but was willing to consider special cases.

President has seen

Mr. Moeller also commented on the "myth" that Germany was a rich country, stressing the "losses in substance" in two lost wars, and two inflations. He referred to the high cost of foreign investment in Germany and the fact that Germany was falling behind in modern technology, especially in aeronautics and computer science. The need to maintain high living standards in Germany, to contrast them with those of Eastern Europe and to avoid strikes and social dissatisfaction in general, was another reason for keeping the burden of foreign aid on Germany down. In spite of this he had agreed at the most recent budget review to exempt the budget of the aid ministry from the widespread budget cuts made for fiscal policy reasons.

Mr. Knapp said the Bank considered Germany one of its most important members. He mentioned Germany as the second largest source of borrowed funds for the Bank, as an important member of the Bank-directed consortia and consultative groups, and a source of approximately 100 members of the Bank's professional staff, among them several heads and deputy heads of departments. Turning to the IDA replenishment, he and Sir Denis mentioned that, in the most recent discussions, eight countries, accounting for approximately two-thirds of Part I contributions, had expressed themselves in favor of a billion dollar replenishment, while the remaining countries had expressed reservations about this level. Since the London meeting, the French had indicated that they were considering a replenishment level higher than that which they mentioned either at the EEC meeting or in London. (It appeared that Mr. Moeller was not aware of the outcome of the London meeting and inquired of Dr. Hanemann as to who had represented Germany and especially the Ministry of Finance.) Mr. Knapp and Sir Denis referred to the decision of the United States to raise the proportion of American aid channeled through multilateral institutions, and the key role of Germany in reaching a decision on the level of the replenishment. Mr. Knapp pointed out that because of the difficulty which any country had in increasing its relative share in the replenishment, Germany's decision on the size of the replenishment was likely to have a tenfold impact on the amount of the total replenishment.

Mr. Moeller said Germany would not stand in the way of a level of replenishment that was acceptable to the United States Government. It all depended on the "concept"--the German word used was "Vorstellung"--of the level of replenishment which Mr. Brandt would receive from the President of the United States during his visit. He, as Minister of Finance, would do everything to carry out Mr. Brandt's decision, even if it meant going against the advice of the officials of his Ministry.

JHA/mwm

cc: Messrs. McNamara, Knapp, Aldewereld, Rickett, Cope

OFFICE MEMORANDUM

TO: Files

FROM: S. Aldewereld 

SUBJECT: Mr. Poullain's visit - February 26, 1971

DATE: March 1, 1971

Mr. Poullain, head of the Westdeutsche Landesbank, visited Mr. McNamara and me on Friday, February 26. During the conversation Mr. Poullain said that his organization would be in a position to resume lending to the World Bank. He was aware of the fact that we would have a public issue sometime during the second quarter of 1971 and he said that he visualized a private placement with the Westdeutsche Landesbank subsequent to this public issue. He added that despite the fact that the German Government during calendar 1971 would borrow very substantial amounts from the German capital market he had been informed by Prof. Schiller that the World Bank would be allowed access to the German capital market in the amount of DM 500 million during calendar 1971. The way Mr. Poullain visualized the amount of DM 500 million would be raised was that we would have four issues in Germany during 1971 namely: the proposed DM 200 million public issue to be followed by a private placement with the Westdeutsche Landesbank, then another public issue to be followed again by a private placement with the Westdeutsche Landesbank.


cc: Mr. McNamara ✓
Mr. Rotberg

SA:lcv

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OFFICE MEMORANDUM

TO: Mr. McNamara

FROM: S. Aldewereld 

SUBJECT: Visit of Mr. Poullain

DATE: February 25, 1971

On Friday, February 26, you will meet with Mr. Poullain, President of the Westdeutsche Landesbank, Dusseldorf. Mr. Poullain used to be the head of the Girozentrale in Munster. About two years ago when as a result of the merger of that institution with the Rheinische Girozentrale the Westdeutsche Landesbank was created, he became its head. Prof. Lipfert, whom you know, is one of his deputies. Mr. Poullain is a powerful man in both German banking and political circles. In addition to his Presidency of the Westdeutsche Landesbank, he is also Chairman of the Board of the Deutsche Girozentrale - Deutsche Kommunalbank in Frankfurt and Chairman of the German Savings Banks Association. I understand that he is very close to Prof. Schiller.

About a year ago when I was in Germany, Mr. Poullain invited me for a long discussion at his office in Dusseldorf. He told me that he had left the conduct of affairs with the World Bank to Prof. Lipfert because he had been heavily engaged in organizational questions resulting from the merger; but now that these matters were resolved he had decided that in the future he, rather than Prof. Lipfert, would represent the Westdeutsche Landesbank. Since then I have had discussions with Mr. Poullain on two or three occasions. In all of these he stressed that he was looking forward to a resumption of operations between his organization and the World Bank, but that liquidity difficulties made this impossible for the time being. When I was in Germany about four weeks ago Hankel told me that the Westdeutsche Landesbank still was suffering from these difficulties and that consequently he wanted us to borrow DM 200 million not from the Westdeutsche Landesbank but by way of a public issue through the Deutsche Bank.

I do not know whether Poullain's visit to you will be purely a courtesy call or whether circumstances have changed and that he might wish to talk about a borrowing operation.

President has seen

MEMORANDUM FOR THE RECORD

April 7, 1971

From: Denis Rickett

Subject: Visit of Dr. Alex Moeller

Dr. Alex Moeller, Finance Minister of the Federal Republic of Germany, called on Mr. McNamara at 5:30 p.m. on Tuesday, April 6th. Dr. Moeller was accompanied by Mr. Jekewitz, Mr. Artopoulos, and Miss Wichmann. Mr. J. Burke Knapp and Sir Denis Rickett were also present.

Mr. McNamara extended a warm welcome to Dr. Moeller, who, in reply, referred to the negotiations last summer for the Third Replenishment of IDA. It was true that there had been certain difficulties within the European Economic Community. Nevertheless he had carried out the undertaking which he had given when he was in Washington to do his utmost to make possible a settlement which would conform to the wishes which had been expressed to him by the United States Government and by the World Bank. This he had done to the best of his ability though he had not been completely successful. He had done this because he was convinced that support of multilateral aid was the right policy for the future and that it was important to move away from the rather one-sided views of the former colonial powers which, up to the First World War, had included Germany. Aid could be better directed by an organization in a central position just as Herr Eppler's Ministry was in a position to coordinate the German aid program. Herr Eppler regarded his function not as a task but as a vocation. He (Dr. Moeller) was in the position common to all Finance Ministers of having to restrict the spending activities of his colleagues.

Mr. McNamara said that the World Bank Group were extremely grateful to the German Government for the support which they had received: first, through the access which they had been given to the German capital market; secondly, for the spirit of cooperation which the German Government had shown in the negotiations for the Third Replenishment of IDA; and finally, through the acceptance by that Government of the targets enunciated in the Pearson Report. He (Mr. McNamara) believed that the willingness of the Japanese Government to lend substantial sums to the World Bank at the present time owed much to the German example.

Dr. Moeller said that a year ago, during a visit to Japan, he had discussed both with the Japanese Prime Minister and with the Finance Minister the case for foreign aid. He also recalled a visit which he had paid to this country before the Presidential election in 1960. At that time he had received the impression from talking to Mr. Dillon that many people in the United States thought that the German Government was not paying sufficient attention to the needs of the Third World. It was partly for this reason that he (Dr. Moeller) had strongly supported the setting up of the Ministry for Economic Cooperation now headed by Herr Eppler.

Mr. McNamara said that it was in part due to the example of the German Government that the DAC countries were planning to increase their aid programs

Production has been

to a substantial extent. It was estimated that the flow of official development assistance which had amounted in 1968 to \$8.8 billion would, by 1975, have risen to \$14.9 billion. He agreed that there was a trend towards increased multilateral aid. He hoped that Germany would follow this trend and would channel up to, say, 20 per cent of its total aid through international organizations.

Dr. Moeller said that 20 per cent was, perhaps, as high as they could go at present until existing bilateral commitments had run out. The German Government was, however, resolved to direct a much higher proportion of its aid than that through multilateral channels in the future.

Mr. McNamara said that international organizations, such as the World Bank, could help bilateral donors and recipients also in a number of ways, such as the preparation of economic reports, the formulation of development plans, the carrying out of sector studies, and the drawing up of sound projects based on pre-investment studies. He, himself, was looking forward to meeting Herr Eppler in Switzerland shortly at a further meeting called by the United Nations to consider the relationship between bilateral and multilateral aid.

In conclusion Dr. Moeller said that he had wished to pay this visit to Mr. McNamara partly for reasons of courtesy but also to underline his strong support for all that Herr Eppler was trying to do.

DR. ALEX MÖLLER

Minister of Finance
Federal Republic of Germany

Born: 1903

Education: No academic degree, but honorary degrees from University of Freiburg and Karlsruhe Technical Institute

Background: Originally a journalist. Fell out of grace with the Nazi government prior to the war and went into the insurance business. Became Managing Director of Karlsruhe Life Insurance Co.

Politics: Minister of Finance about 1969 (oldest Cabinet member)
Member of Social Democratic Party since 1922
Member of Bundestag since 1961
Member of State Legislature, Stuttgart - 1946

Interests: Music and sports

Hobby: Considers himself an expert on whiskey brands, which he collects

(Comes to the Bank after a 4:30 p.m. meeting with Mr. Schweitzer.)

President has seen

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APRIL 6, 1971

486 - FOR LIND

RE MOELLER VISIT WITH RMS AND POSSIBLE TOPICS FOR DISCUSSION:
BONN DEVELOPMENT SITUATION BOILING AS COALITION AND OPPOSITION
PARTIES JOINED IN DEMANDING BUNDESTAG DEBATE ON PROSPECTS OF
GERMAN AID FINANCING WHICH CONSIDERED DIM IN CONNECTION WITH
UNEXPECTED GROWTH OF GNP INCLUDING INFLATIONARY BOOSTS. DATE FOR
'GRAND DEBATE' NOT SET AS YET BUT PARTY DISCUSSIONS ALREADY
WELL PUBLICIZED WITH MOELLER THE VILLAIN OF THE PIECE.

BRANDT CABINET COMMITTED ITSELF TO REACH PEARSON TARGET NOT
LATER THAN END OF DD II, THE RESOLUTION OF WHICH WAS USED PUBLICLY
AND EXTENSIVELY BY EPPLER FOR HIS GOOD PURPOSES. THIS RESOLUTION
HOWEVER, MAY HAVE BECOME OBSOLETE BY LAST WEEKS EXCHANGE OF
LETTERS BETWEEN THE CHANCELLOR AND HIS FINANCE MINISTER, GRANTING
THE LATTER VETO POWERS OVER ALL POSSIBLE SCHEMES OF CABINET
COLLEAGUES. CONCERNING DEVELOPMENT MOELLER IS BELIEVED TO BE IN
A QUANDARY AND A TALK WITH RSM MAY WELL TIP THE SCALE ONE WAY
OR THE OTHER.

GERMAN PUBLIC AID BETWEEN 1967 AND 1970 HAS DROPPED FROM
0,43 TO 0,33 % OF GNP AND EPPLER'S PROMISE TO REACH 0,7 % BY
INCREASING OFFICIAL CONTRIBUTION BY 11% ANNUALLY BELIEVED
UNREALISTIC NOW. IT WOULD HAVE TO BE 15.4% STARTING 1972 IN
ORDER TO REACH SELF-PROCLAIMED TARGET.

GERMAN PRESS NOT UNSYMPATHETIC TO DEVELOPMENT BUT CRITICAL
OF GOVERNMENTS MEANDERINGS. FAZ IN YESTERDAY'S LEADER DEMANDED
THAT BONN EXPLAIN ITS INTENTIONS CLEARLY AS WELL AS ITS MEANS
TO GO ABOUT IT, IN ORDER NOT TO ENDANGER 'INTERNATIONAL CREDIBILITY'
AFTER HAVING RAISED THIRD WORLD EXPECTATIONS. BEST REGARDS

STROBL

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Frankfurt allgerme Zeitung

President des RSM

28

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Mr. William Clark

DATE: October 4, 1971

FROM: J. W. Strobl *JW***DECLASSIFIED****DEC 04 2012****WBG ARCHIVES**SUBJECT: Schiller - some personal notes

For two days after the close of the Annual Meeting I had hour-long discussions with Dieter Vogl, Schiller's press spokesman, who belongs to Schiller's personal staff in Bonn and entourage wherever he goes.

During our conversations Vogl made several points which I find worth recording.

1. The Germans will vote for RSM but not for Schweitzer when nominations will have to be confirmed next.
2. Schiller told his staff repeatedly he was pleased with RSM lunch meeting and thinks good personal rapport was established. As a technocrat he is highly impressed by RSM and his performance.
3. Likewise, Mrs. Schiller appeared extremely pleased by the contact and treatment received from Mrs. RSM.
4. Schiller's more than fair development contribution in his Chairman's address is owed largely to former ED Hanemann (in opposition to Hankel).
5. Schiller though personally still uninterested in development, comes away from this year's Meeting and his contacts with RSM much more conscious of development than before.
6. Within context, Schiller thinks German present representation in the Bank inadequate and considers replacing it.
7. Schiller's relations with Connally - contrary to what the press made it appear - were extremely cordial. They met three times and Schiller thinks he won a personal friend (Vogl hopes the reverse is true too).

JWS:apz

cc: Mr. Christoffersen ✓

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

MRS. KARL (ETTA) SCHILLER

Wife of the German Minister of Economics and Finance.

Mrs. Schiller is an attractive blond (about 38) who married Dr. Schiller last May (his third wife).

Born Eckel

She comes from a wealthy family; her father is a well-known radiologist in Germany. Mrs. Schiller studied law and qualified as a lawyer. (During her training period she worked briefly together with Rainer Steckhan.) She then entered government service and became a budget officer in the Ministry of Finance in the State of North-Rhine and Westphalia in Düsseldorf.

Mrs. Schiller is sometimes nicknamed "Rote Etta" (Red Etta) because of her alleged radical-leftist sympathies--but this, German sources hasten to add, is only supposed to be understood as "a jest"--she is absolutely no "hard-liner."

LEC

Germany

Trade and the Currency Crisis

1. Mr. Schiller's address to the Annual Meeting, like Mr. McNamara's, will, as presently drafted, express strong support for liberalizing restrictions on LDC exports. This is a theme of which Mr. Schiller has long been an advocate; he made a statement on the subject in New Delhi. He will refer to the European Community decision to take the lead among world trade powers in putting into effect last July 1 a scheme of generalized tariff preferences on imports from LDCs.
2. A major threat to trade objectives is arising in the currency crisis between the major industrialized powers. An early casualty has been the OECD effort to obtain agreement on untying aid. The U.S. import surcharge and related measures, imposed August 15 could lead to a trade war. The Canadian Prime Minister has indicated that the danger of retaliation is becoming imminent for his country. The U.S. can escalate the surcharge and impose quotas.
3. The restraint of the EC in deciding not to retaliate at present is reassuring. However pressures to retaliate are likely to grow stronger the longer the crisis lasts. They will be particularly strong if under-employment and underutilization of productive capacity spread from the U.S. to other countries.
4. As the U.S. import surcharge shows, trade restrictions tend to be applied to imports from all countries, including LDCs. But trade provides about three-quarters of the foreign exchange available to LDCs to pay for imports, to service debt, etc. It is thus a considerably more important source than aid.
5. An early solution to the currency crisis is therefore vitally important to the economic development of LDCs.
6. Most of the central issues must be settled between the industrialized countries, especially those with the largest surpluses (such as Germany and Japan) and the largest deficits (the U.S.). However some issues could directly involve the LDCs. For example:
 - a. It might be suggested (if the IMF agrees) that a realignment of currency values between the industrialized countries provides an occasion for the adoption of more realistic rates by a large number of LDCs.
 - b. Any amelioration of the EC policy on agricultural imports could be of considerable importance to LDCs.

FEDERAL REPUBLIC OF GERMANY - D.O.T.
(mil. of US\$)

	1964	1965	1966	1967	1968	1969
<u>WORLD</u> - Exports to	16228.6	17911.3	20155.7	21762.6	24884.1	29101.5
Imports from	14709.3	17611.0	18166.1	17545.5	20295.2	25101.9
Balance	1519.3	300.3	1989.6	4217.1	4588.9	3999.6
<u>LDCs</u> - Exports to	2258.2	2545.4	2763.3	2867.1	3174.0	3575.0
Imports from	3002.9	3354.7	3522.1	3418.7	3886.3	4356.8
Balance	-744.7	-809.3	-758.8	-551.6	-712.3	-781.8

FEDERAL REPUBLIC OF GERMANY - FINANCIAL FLOWS (COMMITMENTS), 1969
(in millions of US\$)

COUNTRY	% Share of Donor Total	% Share of Recipient Total	AMOUNT						PER CENT CONCESSIONAL ELEMENT (10% Discount Rate)										TERMS OF LOANS (Average)			
			Total \$ Millions	Of which					LOANS					LOANS + GRANTS					O.D.A. LOANS			ALL OTHER LOANS
				% Grants	% O.S.A. Loans	% O.D.F. Loans	% Private Exports Credits	% Bond Issues	O.S.A. Loans	All Other Loans	O.D.F. Loans	Private Exports Credits	Bond Issues	Total Loans	Total O.D.A.	Total Official	Grants Total	Maturity (years)	Grace (years)	Interest (%)	Maturity (years)	Interest (%)
GERMANY	100		1418.25	14	26	11	40	3	51	10	19	9	5	23	68	57	33	5.1	7.6	3.3	6.8	6.5
MALTA	0	3	0.09	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
BOTSWANA	0	1	0.13	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
BURUNDI	0	3	0.43	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
CAHOMBY	0	5	0.73	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
GAMBIA	0	5	0.11	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
MAURITANIA	0	1	0.17	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
SIERRA LEONE	0	0	0.02	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
UPPER VOLTA	0	3	0.36	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
BARBADOS	0	0	0.01	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
HAITI	0	3	0.13	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
GUIANA DR.	0	1	0.21	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
NEPAL	0	0	0.05	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
OTHER UNSPEC AME	0	1	0.45	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
UNSPECIFIED ASIA	0	0	0.03	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
OTHER UNSP ALL C	6	14	84.17	100	0	0	0	0	0	0	0	0	0	0	100	100	100	0.0	0.0	0.0	0.0	0.0
TRINIDAD & TOBAG	0	10	0.74	97	0	0	3	0	0	6	0	0	0	6	100	100	97	0.0	0.0	0.0	3.0	6.4
AFGHANISTAN	0	16	5.02	93	7	0	0	0	49	0	0	0	0	49	96	96	96	22.0	5.0	3.0	0.0	0.0
MALDI	0	5	1.66	95	0	0	5	0	0	6	0	0	0	6	100	100	95	0.0	0.0	0.0	3.0	6.4
JORDAN	0	1	0.50	92	0	0	8	0	0	6	0	0	0	6	100	100	92	2.0	0.0	0.0	3.0	6.4
TURC	0	12	2.17	81	6	0	12	0	61	6	0	0	0	24	97	97	85	25.0	7.0	2.0	3.0	6.4
NIGER	0	4	1.83	58	42	0	0	0	64	0	0	0	0	64	85	84	84	28.3	9.0	2.0	0.0	0.0
ETHIOPIA	0	2	1.97	83	0	0	17	0	0	6	0	0	0	6	100	100	83	0.0	0.0	0.0	3.0	6.4
SYRIA	0	4	0.59	81	0	0	19	0	0	6	0	0	0	6	100	100	82	0.0	0.0	0.0	3.0	6.4
GHANA	0	3	2.32	80	0	0	20	0	0	6	0	0	0	6	100	100	81	0.0	0.0	0.0	3.0	6.4
RWANDA	0	2	0.40	80	0	0	20	0	0	6	0	0	0	6	100	100	81	0.0	0.0	0.0	3.0	6.4
SOMALIA	0	29	6.55	21	78	0	0	0	75	6	0	0	0	74	80	80	80	30.3	10.0	1.0	3.0	6.4
SUFAN	0	5	1.22	77	0	0	23	0	0	6	0	0	0	6	100	100	78	0.0	0.0	0.0	3.0	6.4
CHAD	0	6	0.83	69	31	0	0	0	29	0	0	0	0	29	77	77	77	9.0	2.0	3.0	0.0	0.0
MALI	0	11	1.75	5	75	0	0	0	75	0	0	0	0	75	76	76	76	30.3	10.0	1.0	0.0	0.0
SINGAPORE	0	2	1.47	73	0	0	27	0	0	6	0	0	0	6	100	100	75	0.0	0.0	0.0	3.0	6.4
PANAMA	0	0	0.30	67	0	0	33	0	0	6	0	0	0	6	100	100	68	0.0	0.0	0.0	3.0	6.4
YEMEN	0	40	2.66	14	86	0	0	0	61	0	0	0	0	61	66	66	66	30.0	8.0	2.5	0.0	0.0
KENYA	0	5	4.30	28	67	0	5	0	52	6	0	0	0	49	66	66	63	25.0	6.0	3.1	3.0	6.4
KENYA COAST	0	6	3.97	41	38	0	22	0	55	6	0	0	0	37	75	75	62	26.0	9.0	3.0	3.0	6.4
GUATEMALA	0	2	0.94	60	0	0	40	0	0	6	0	0	0	6	100	100	62	0.0	0.0	0.0	3.0	6.4
CENTRAL AFR. REP.	0	10	1.67	2	98	0	0	0	61	0	0	0	0	61	61	61	61	30.0	8.0	2.5	0.0	0.0
URUGUAY	0	3	1.39	59	0	0	41	0	0	6	0	0	0	6	100	100	61	0.0	0.0	0.0	3.0	6.4
IRAN	0	3	0.66	59	0	0	41	0	0	6	0	0	0	6	100	100	61	0.0	0.0	0.0	3.0	6.4
BOLIVIA	0	4	3.84	35	43	0	22	0	53	6	0	0	0	37	74	74	59	25.0	7.0	3.0	3.0	6.4
ISRAEL	3	11	37.62	4	91	0	5	0	61	6	0	0	0	58	62	62	59	30.0	8.0	2.5	3.0	6.4
GUINEA	0	13	4.71	46	0	54	0	0	0	20	20	0	0	20	100	56	56	0.0	0.0	0.0	17.0	7.0
GUINEA	0	1	0.76	54	0	0	46	0	0	6	0	0	0	6	100	100	56	0.0	0.0	0.0	3.0	6.4
LEBANON	0	2	1.29	50	0	0	50	0	0	6	0	0	0	6	100	100	53	0.0	0.0	0.0	3.0	6.4
MADAGASCAR	0	5	1.73	26	74	0	0	0	36	0	0	0	0	36	53	52	52	20.0	4.0	4.5	0.0	0.0
INDIA	7	9	107.44	16	70	1	14	0	51	9	17	0	0	43	60	59	52	23.8	6.2	2.8	5.9	6.3
TURKEY	3	10	39.29	6	73	0	21	0	59	10	0	0	0	47	62	62	51	29.3	7.8	2.6	7.1	6.6
PAKISTAN	4	11	57.02	3	80	10	7	0	56	17	19	0	0	49	57	53	51	26.6	7.3	2.8	10.6	6.1
TUNISIA	1	6	17.23	15	52	0	33	0	51	23	0	0	0	40	62	62	49	23.0	6.0	2.9	14.0	6.0
CONGO KINSHASA	0	0	0.80	46	0	0	54	0	0	6	0	0	0	6	100	100	49	0.0	0.0	0.0	3.0	6.4
CEYLON	0	5	5.86	16	59	0	26	0	55	6	0	0	0	40	65	64	49	25.6	7.0	2.6	3.0	6.4
NIGERIA	1	11	15.74	2	86	0	12	0	53	6	0	0	0	47	54	54	48	24.8	6.9	3.0	3.0	6.4
EGYPT	0	7	5.85	44	0	0	56	0	0	6	0	0	0	6	100	100	46	0.0	0.0	0.0	3.0	6.4
CYPRUS	0	4	1.36	19	75	0	6	0	31	6	0	0	0	29	45	45	42	16.0	2.0	4.5	3.0	6.4
MOROCCO	1	4	8.10	13	66	0	21	0	43	6	0	0	0	34	52	52	42	15.2	5.2	3.0	3.0	6.4
CAMEROON	0	2	1.07	38	0	0	62	0	0	6	0	0	0	6	100	100	42	0.0	0.0	0.0	3.0	6.4
EL SALVADOR	0	1	0.61	39	0	0	61	0	0	6	0	0	0	6	100	100	42	0.0	0.0	0.0	3.0	6.4
PARAGUAY	1	10	8.22	10	62	1	27	0	51	5	15	0	0	36	59	57	42	25.0	5.0	3.0	5.9	7.5
VIETNAM SOUTH	0	0	2.35	18	44	0	38	0	50	6	0	0	0	29	64	64	42	20.0	7.0	3.0	3.0	6.4
ECUADOR	0	8	4.53	23	45	5	28	0	30	6	12	0	0	20	54	50	38	20.0	5.0	5.5	3.4	6.3
PERU	1	8	7.44	36	0	62	3	0	0	4	4	0	0	4	100	39	38	0.0	0.0	0.0	2.0	6.7
INDONESIA	4	9	51.12	5	46	48	0	0	55	15	16	0	0	35	60	38	38	26.0	7.2	2.7	13.0	7.0

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Mr. William Clark

FROM: J.W. Strobl

SUBJECT: Schiller - Background summary.

DATE: September 23, 1971

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Recent developments concerning Schiller.

1. Finance Minister Moeller's resignation last May resulted in one of Brandt's rare but extraordinarily swift and effective political moves: The creation of a German super-ministry of Finance & Economy (long wanted by Opposition leader Franz Josef Strauss).

Schiller, entrusted with the gigantic task of leading this new power structure, moved nearer to the Chancellor and has since occupied an absolute key position in every field of German politics, except Ostpolitik. (In this context, Schiller appears to have eclipsed even Vice-Chancellor, Foreign Minister and FDP coalition party leader Scheel.)

At the same time (last May) Schiller attracted world-wide attention by unilaterally floating the DMark and thus possibly initiating developments which resulted in the present international monetary crisis. Since last August, both the Europeans and the British vindicated Schiller's policies. This has given him a strong international bargaining position in the forthcoming confrontation, primarily with the Americans and then with the French.

All things considered, development - never one of Schiller's favorite subjects - was further relegated to a back seat. There is perhaps one favorable side effect. Schiller is now politically so far above Development Minister Eppler that the perennial feud between the two ministries over control of capital aid has been rendered practically nil. (However, there are reports that, under pressure by fellow SPD parliamentarians, Schiller may well consider giving up control over capital aid in favour of Eppler sometime before the 1973 elections.)

Meanwhile, earlier this month Schiller won an important point. During the budget deliberations he succeeded in cutting Eppler disbursements for next year without, however, diminishing the latter's authority to increase the annual commitments by 11%. (It is only today, however, that the Bundestag budget committee will decide in Bonn, whether the 30% freeze in capital aid, imposed last May also, may be lifted, thus making a German advance contribution to IDA possible. Schiller, on Saturday, may be able to tell.)

All in all, Germany's development contribution is declining. While in the past limited commitments hindered Eppler from disbursing available funds, the pledged commitment increases will be

less than sufficient to attain the Bonn Cabinet's Development Resolution target of 0.7% GNP official aid expenditure during DDII.

Moreover, it is to be feared that if and when development should regain a place in Schiller's considerations, he may prefer to have German aid contributions channeled through the EEC, in order to gain an advantage in his effort to exploit that body as a tool of his policies. Multilateral agencies would be the losers.

Schiller's Annual Meeting posture.

2. At this crucial junction in monetary history, Schiller's well-known penchant for the limelight and the recent developments, as he sees them, further enhance his hardly veiled enthusiasm over the prospect of chairing this year's Bank/Fund meeting.

Bonn officials take delight in the fact that Schiller will depart from past practices by delivering his own address - not handed down to him by the Bank/Fund speech-writing staff. Schiller's speech is ready. It is said to contain no objections regarding Bank performance. On the contrary, it will be complimentary, much as it was at Copenhagen last year. However, a question remains. Does Schiller understand his personal responsibility to the Governors - majority of whom come from the LDCs? Does he pay enough attention to their plight, particularly in view of the Nixon measures of last August?

Schiller is well aware of numerous press speculations concerning the American presidency of the World Bank (e.g. M. Guardian, Barron's, Handelsblatt, etc.). During my Bonn visit two weeks ago I learned that one of the principal sources of the Handelsblatt article (Aug. 2) was the former German Alternate ED, Miss Helga Steeg (presently the head of the Economic Ministry's Sub-Division for Development Policies).

But Schiller is believed in Bonn quarters to be favorably impressed by RSM's performance as head of an expanding World Bank. He supports RSM's policies in spite of occasional reports of personal irritations. Bonn officials believe that he was reluctant to meet RSM in the past, because - being brilliant himself - he felt he was no match for RSM in development business affairs.

President's lunch (September 25)

3. The German ED, Mr. Stedtfeld, has briefed Schiller in writing concerning Saturday's lunch (with numerous statistics attached). The briefing include following points:

- General development of Bank activities; quantity - and quality-wise.
- Capital market prospects for Bank borrowing; the need for consolidation.

- Effects of the international monetary crisis on world-wide development.
- Relation between trade and aid.
- Bank's personnel policies. (Stedtfeld holds that there is still room at the top for Germans, but recommends to Schiller not to raise the point himself.)

One area where RSM's mind could meet with that of Keynesian Schiller is the relationship between the international monetary problems on the one hand and trade and aid on the other. The forthcoming Tete-a-tete may well open up new avenues for both participants, provided they find a common frame of reference.

Schiller loves candid talk. Reputedly arrogant when confronting larger groups, he is believed to be quite constrained in individual meetings. Recently, Schiller received considerable criticism from both his own party and the Opposition for allegedly unstatesmanlike conduct re discussions with Giscard and Connally.

Comment and recommendations

4. Schiller is known to be erratic and subject to personal influence. His subordinates continually fear last-minute changes in his thinking and pronouncements. If RSM should succeed in impressing upon Schiller the world's development problems, he might well put the professor's imagination to work and convince him of the importance of giving wider play to development in his opening Address.

To that end I would recommend

- (1) a sustained effort to create an intimate relationship;
- (2) some sort of personal hospitality to the newly-wed Mrs. Schiller, or to both Mr. and Mrs. Schiller (the latter is known as "Red Etta" in Duesseldorf).
- (3) follow-up the lunch by inviting 5 to 6 handpicked German correspondents for a "non-attribution" background talk with RSM. This, to underline the success of the luncheon with Schiller, who is known to cultivate a good personal relationship with the press, being highly sensitive to good publicity on his contacts abroad.

cc: Leif Christoffersen

9/21/71

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BRIEFING PAPER

ANNUAL MEETING 1971

GERMANY

1. Principal Members of Delegation

Karl Schiller (Governor, Bank)
Minister for Economic Affairs

Karl Klasen (Governor, Fund)
President, Deutsche Bundesbank

Otmar Emminger (Temporary Alternate Governor, Fund)
Vice President, Deutsche Bundesbank

2. Aid Performance

Total German development assistance declined in 1970 by 45% to a level of \$1,409 million or 0.76% of GNP, as compared to \$2,046 million or 1.33% of GNP in 1969. The decline was principally due to a reduction in private portfolio investment to one-fifth of its 1969 volume, the result of changed capital market conditions. Total official flows increased by about one-third to \$731 million but the "official development assistance" component remained at the 1969 level of about \$600 million. The development aid minister (Eppler) has indicated that insufficient budgeting of aid in 1966 and 1967 has been responsible for this situation; at the same time the 12.4% growth in GNP in 1970 further increased the relative drop in aid flows.

Germany has accepted the 1% of GNP target but indicated that attainment will depend on the annual rate of growth of the GNP and on the level of

private flows. The government has stated that it will also try to reach the 0.70% target for official aid "as soon as possible" (see Table II). As in the past, Germany plans to make "at least" 20% of official development assistance available to multilateral institutions.

3. Attitude to IDA

Germany advanced one-third of its contribution to the Second Replenishment to assist IDA prior to formal ratification of that Replenishment, and has made all contributions to IDA in cash. Germany has notified the Association of its formal acceptance of its 9.75% share (\$234 million) in the Third Replenishment and will pay in cash in three annual installments as follows: \$72.4 million in calendar years 1971 and 1972 each and \$89.3 million in 1973.

Germany has not yet responded to a request for an advance contribution. The approval of Parliament will in any case be needed.

4. Capital Market Prospects

The Bank has raised in the past a total of about \$2.9 billion equivalent in Germany through eight public issues and 54 private placements (including rollovers) mostly with the Bundesbank; part of these funds were denominated in US\$. Of this total, the public issues and 27 of the private placements remain outstanding for a total of \$1.4 billion equivalent (\$81 million of which is denominated in US\$). In the German capital market a clear distinction can be made between the domestic and the foreign market: while the domestic market remained weak the foreign DM issues received in general a very good reception in the market. This split has lasted already

for some months and is probably due to the fact that foreign holders of foreign DM issues are not subject to the German coupon tax and such instruments are therefore a rather attractive investment for them.

The Bank's last issue came out in May with a 7 $\frac{1}{2}$ % coupon at the time when Germany introduced the floating rate. In June a complete issue stop was decreed by government authorities. When the issuing market opened again in July high quality issues came out with an 8% coupon which is still prevailing.

Mr. Aldewereld recently held discussions in Frankfurt with the Deutsche Bank and it is believed that a public issue could be floated in October/November. So far there have not been any direct contacts with the Economics Ministry, but this matter could be discussed with the German delegation to the Annual Meeting.

Two additional, rather technical points you may wish to raise concern first the new mortgage bank law. The revised law is still in the legislative process. Currently IBRD bonds are not eligible investments for the mortgage banks and the new law is more discriminatory, bonds of other international institutions such as the EIB and ECSC are eligible. The matter of IBRD eligibility was raised about six months ago and received an unfavorable response. It may not be too late to raise the question of IBRD eligibility again. A second concern is that the authorities are planning to change policies governing eligible investments by Insurance Companies. This might effect future IBRD public issues and you may wish to seek clarification of any changes proposed.

5. IBRD Capital Subscription Increase

Germany's entitlement in the capital subscription increase amounts

to \$85 million and Germany has paid the 1% portion in U.S. dollars. Germany has also agreed to the release of the 9% portion (\$7.67 million) in convertible currency in four annual installments of \$1.9 million each. The first release was made on June 1, 1971 and the remaining releases will be made on June 1, 1972, 1973 and 1974.

GERMANY: FLOW OF DEVELOPMENT FINANCE BY CALENDAR YEAR

(US \$ million)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970 ^{a/}	1971 ^{b/}
Office Development Assistance												
- Bilateral	178	256	293	363	436	393	396	468	454	475	479	
- Multilateral	59	74	105	30	25	37	44	60	100	120	120	
- TOTAL	<u>237</u>	<u>330</u>	<u>398</u>	<u>393</u>	<u>460</u>	<u>430</u>	<u>440</u>	<u>528</u>	<u>554</u>	<u>595</u>	<u>599</u>	<u>777</u>
- As % GNP	.31%	.41%	.45%	.41%	.44%	.38%	.37%	.43%	.41%	.39%	.32%	.39%
Other Official												
- Bilateral	73	76	71	47	-23	39	56	25	41	18		
- Multilateral	42	212	-3	-5	-15	2	-10	-6		-68		
- TOTAL	<u>115</u>	<u>288</u>	<u>68</u>	<u>42</u>	<u>-37</u>	<u>40</u>	<u>46</u>	<u>19</u>	<u>41</u>	<u>-51</u>	<u>132</u>	<u>—</u>
Total Official	<u>352</u>	<u>618</u>	<u>466</u>	<u>435</u>	<u>423</u>	<u>471</u>	<u>486</u>	<u>547</u>	<u>595</u>	<u>544</u>	<u>731</u>	<u>896</u>
- % Grant Element					69%	62%	69%	59%	59%	77%	81%	
- As % GNP	.49%	.76%	.53%	.46%	.41%	.42%	.40%	.45%	.44%	.35%	.39%	.45%
Private												
- Investment & Loans	117	147	103	114	162	194	194	231	813	1266	495	
- Export Credits	160	82	40	72	122	58	102	363	255	236	183	
TOTAL NET DISBURSEMENTS	<u>628</u>	<u>847</u>	<u>609</u>	<u>621</u>	<u>706</u>	<u>724</u>	<u>782</u>	<u>1141</u>	<u>1664</u>	<u>2046</u>	<u>1409</u>	<u>1673</u>
- As % GNP	<u>.83%</u>	<u>1.04%</u>	<u>.69%</u>	<u>.66%</u>	<u>.68%</u>	<u>.64%</u>	<u>.65%</u>	<u>.94%</u>	<u>1.24%</u>	<u>1.33%</u>	<u>.76%</u>	<u>.84%</u>

a/ Provisional

b/ DAC Estimate. Not adjusted for de facto revaluation.

Source: DAC

TABLE II

GERMANY: BUDGETARY AID AUTHORIZATIONS BY SOURCE ^{a/}

(Calendar Years; U. S. \$ Millions)

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>Budget of the Ministry for Economic Cooperation</u>	80	83	94	114	140				
Bilateral Capital Assistance	258	256	313	316	326				
Multilateral Grants & Capital Subscriptions	48	72	109	135	148				
Total	<u>386</u>	<u>411</u>	<u>516</u>	<u>559</u>	<u>614</u>	686	749	831	922
<u>Other Budgeted Funds</u>									
ERP Special Fund	20	21	23	29	31				
Borrowing from KfW	50	50	50	51	55				
Refinancing Credits of Ministry of Finance	52	66	30	31	55				
Other Federal Budgets	23	26	43	51	64				
Budgets of the "Lander"	11	9	9	10	11				
Total	<u>173</u>	<u>172</u>	<u>155</u>	<u>172</u>	<u>216</u>				
<u>Total Budgeted Funds</u>	<u>559</u>	<u>583</u>	<u>671</u>	<u>731</u>	<u>830</u>				
<u>KfW Own Account Credits</u>	108	93	117	52	137				
<u>TOTAL OFFICIAL FUNDS ^{c/}</u>	<u>667</u>	<u>676</u>	<u>788</u>	<u>783</u>	<u>967</u>	<u>1080</u>	<u>1179</u>	<u>1310</u>	<u>1455</u>

^{a/} Cash payment authorizations. 1966-70 budget figures, (including supplemental draft budget), 1971-74 medium-term financial plan figures.

^{c/} Excluding Bundesbank purchases of IERD bonds and notes. Total official appropriations are assumed to grow at the same rate of increase as the budget for the Ministry of Economic Cooperation.



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File Title Contacts with member countries: Germany - Correspondence 03		Barcode No. 1771058		
Document Date Sep 3, 1971	Document Type Letter			
Correspondents / Participants Andrew F. Oehmann, Oehmann & Pajak Law Offices to The Hon. Robert S. McNamara,				
Subject / Title Civil tax deficiency case				
Exception No(s). <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input checked="" type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
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September 10, 1971

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Dear Mr. Oehmann:

On behalf of Mr. McNamara I wish to acknowledge receipt of your letter to him dated September 3, 1971. Mr. Poullain needs no further introduction here in the World Bank Group: he has met with Mr. McNamara and other of our executive officers on several occasions in the past and the financial institution which he heads, the Westdeutsche Landesbank, has indeed been a most important source of funds for IBRD bond issues in Germany during recent years.

Mr. McNamara shall be delighted to meet with Mr. Poullain privately during the week of October 4. Unfortunately it will not be possible for him to hold such a meeting away from Washington because of commitments here, but it could be arranged for Tuesday October 5 at 5.30 p.m., if this is convenient to Mr. Poullain. When we have a response to this suggestion we can then later discuss its details.

Sincerely,

Leif E. Christoffersen
Personal Assistant to the President

Mr. Andrew F. Oehmann
Messrs. Oehmann & Pajak
425 Thirteenth Street, N.W.
Washington, D.C. 20004

LEC:ak

INCOMING CABLE

DATE AND TIME OF CABLE: SEPTEMBER 20, 1971 13:45

LOG NO.: IIT TELEX/20

TO: INTBAFRAD

FROM: DUESSELDORF

ROUTING

ACTION COPY: MR. ALDEWERELD

INFORMATION COPY: MR. ROTBERG

DECODED BY:

TEXT:

ATTENTION MR. ALDEWERELD, VICE PRESIDENT - FINANCE.

ON SEPTEMBER 16 DR. POUILLAIN SENT THE FOLLOWING LETTER TO YOU:

"DEAR MR. ALDEWERELD,

I HAVE TO THANK MRS. ALDEWERELD AND YOU AS WELL AS MRS. AND MR. ROTBERG
VERY MUCH FOR THE INVITATION FOR A DINNER ON TUESDAY, SEPTEMBER 28.UNFORTUNATELY I SHALL NOT BE ABLE TO ATTEND BECAUSE I HAVE TO LEAVE WASH DC
ON THAT DAY ALREADY BECAUSE OF MANY IMPORTANT OBLIGATIONS THE FOLLOWING DAYS
HERE IN GERMANY. I AM REGRETTING VERY MUCH, BUT I SINCERELY HOPE THAT THERE
WILL BE AN OPPORTUNITY TO MEET YOU ON ANOTHER OCCASION DURING THE ANNUAL MEETINGS
IN WASHINGTON. SOON AFTER MY ARRIVAL I SHALL TRY TO CONTACT YOU. IN CASE THAT
I CANNOT REACH YOU, PLEASE DO NOT HESITATE TO CALL ON ME IN THE MADISON HOTEL,
WHERE I SHALL STAY FROM SEPTEMBER 25 TO SEPTEMBER 28. WITH MY BEST PERSONAL
REGARDS AM LOOKING FORWARD TO SEEING YOU. I REMAIN

YOURS SINCERELY,

LUDWIG POUILLAIN"

HOPING THAT YOU HAVE RECEIVED THIS LETTER IN THE MEANTIME, I REMAIN WITH BEST
REGARDS TO YOU AND MR. ROTBERG, SINCERELY YOURS DR. RAETTIG,

WESTDEUTSCHE LANDESBANK G. IROZENTRALE, DUESSELDORF

LAW OFFICES
OEHMANN & PAJAK
425 THIRTEENTH STREET, N. W.
WASHINGTON, D. C. 20004
393-3311

ANDREW F. OEHMANN
JOHN J. PAJAK
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NEW YORK ASSOCIATES
MANES, STURIM, ROTH & FISHER
250 PARK AVENUE
(212) 687-0900

September 21, 1971

Mr. Leif E. Christoffersen
Personal Assistant to the President
International Bank for Reconstruction
and Development
Washington, DC 20433

Dear Mr. Christoffersen:

With reference to your letter of September 10, 1971,
Mr. Poullain has confirmed by wire that October 5, at 5:30 p. m.,
in the Washington area is satisfactory for the meeting.

Sincerely,


Andrew F. Oehmann

AFO/cc



Record Removal Notice

File Title Contacts with member countries: Germany - Correspondence 03		Barcode No. 1771058		
Document Date Oct 6, 1971	Document Type Memorandum for the Record			
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Subject / Title Meeting with Dr. Ludwig Poullain, President of Westdeutsche Landesbank on October 5, 1971				
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		<table border="1"><tr><td>Withdrawn by Sherrine M. Thompson</td><td>Date Dec 7, 2012</td></tr></table>	Withdrawn by Sherrine M. Thompson	Date Dec 7, 2012
Withdrawn by Sherrine M. Thompson	Date Dec 7, 2012			

LUDWIG POULLAIN (Honorary Doctor's Degree,
University of Munster, 1969)

Born Dec. 23, 1919 in Remscheid/W. Germany.

Apprentice - City Saving & Loan of Remscheid 1937, successfully
advancing to examiner of Rhineland Saving Association and City
of Dusseldorf (1937-1955) promoted and appointed member of
Board City Savings Assoc. Solingen, Ger. 1955-58

1958-1964 Chairman of Board (State-Kreis) Savings Assoc.
Recrlinghausen.

1964-1968 Member of Board (Landesbank for State of Westphalia)

1966 appointed Chairman of Board

1968 appointed Chairman of Board of Rhineland Savings and
Provincial Banks of Dusseldorf

1971 elected Chairman of Board of W. German Savings and Loan Assoc.
President German Savings Banks and Loan Assoc. since 1967

POTHMANN, Franz-Josef

Dr. med., Prof., Hygieniker u. Mikrobiol.
- 43 Essen-Dorbeck, Fürstenbergstr. 32
(T. 6 26 87) - S. 1932 (Habil.) Privatdoz. u.
apl. Prof. (1957) Med. Akad. bzw. Univ.
Düsseldorf (Diätetoz. Inst. f. Med. Mikro-
biol. u. Virol.).

POTHMANN, Kurt

Dipl.-Ing., Fabrikant, Geschäftsf. Julius
Schulte Söhne KG., Papierfabrik, Düssel-
dorf, stv. ARsvors. Jagenbergwerke AG,
ebd. u. Papier- u. Klebstoffwerke GmbH.,
Linnich, Vors. Arbeitgeberverb. d. Papier-
erzeug. Ind., Düsseldorf, u. a. - 4 Düssel-
dorf, Reeser Str. 3 - Geb. 20. Juni 1898
Düsseldorf (Vater: Heinrich P., I. Landes-
rat; Mutter: Mathilde, geb. Schulte), verh.
m. Ema, geb. Jagenberg, 3 Söhne - TH
Hannover u. Darmstadt - S. 1923 Schulte -
Ehrenvors. Vereinig. d. Arbeitgeberverb.
d. Dt. Papierind., Wiesbaden.

POTONIE, Robert

Dr. phil., Prof., Geologe - 4 Düsseldorf,
Haroldstr. 36 (T. 1 54 91) - Geb. 2. Dez.
1889 Berlin (Vater: Prof. Dr. Henry P.,
Landesgeologe; Mutter: Lonny Mueller).
verh. s. 1937 m. Olga, geb. Schreimm -
Schulen Berlin u. Potsdam; Univ. Berlin
(Geol., Botanik, Chemie), Habil. 1922 Ber-
lin - Teiln. I. u. II. Weltkr. (Flakoffz.);
Geologe Pr. Landesanst., Berlin u. Geol.
Landesamt NRW, Krefeld (b. 1954 Abt. s-
leit.); Doz. u. apl. Prof. TH Berlin; s.
1950 Honorarprof. Univ. Bonn (Kohlenpe-
trogr.). Präs. Intern. Kommiss. f. Kohlen-
petrol. (1953) u. Intern. Kommiss. f. Mi-
kroflora d. Paläozoikums (1958) - BV: Allg.
Kohlenpetrogr., 1924; Petrogr. d. Ölschie-
fer, 1923; Synopsis d. Gattungen d. Sporae
dispersae, 1956/60; Paläobotan. Gesell-
schaftsgesch., 1952; D. fossilen Sporen im
phylogenet. System, 1967 - Ehrenmitgl.
Volksbd. f. Naturschutz, Paläobot. Ges. In-
diens, Intern. Org. f. Paläobot.; korr. Mit-
gl. Soc. Royale des Sciences (Lüttich); 1961
Gr. BVK; 1964 Reinhardt-Thiessen-Med.
(Intern. Kommiss. f. Kohlenpetrol.).

POTT, Fritz

Gewerkschaftler, Vorstandsmitgl. IG Berg-
bau u. Energie, Bochum, ARsvors. NEUE
HEIMAT Gemeinn. Wohnungs- u. Siedlungs-
ges. mbH., Essen, u. a. - 463 Bochum-
Stiepel, Haarlampstr. 12.

POTTEBAUM, Hugo

Dr. rer. nat., Landrat Kr. Münster - 4401
Handorf/W., Vernemannstr. 1 - Geb. 29.
März 1907 - Oberstudienrat. CDU.

POTTIAST, Hans

Geschäftsführer Dt. Städte-Reklame GmbH.,
Frankfurt/M., Vorstandsmitgl. Fachverb.
Plakaten- u. Verkehrsmittel- u. Groß-
flächenwerbung, Düsseldorf, Präsidialrats-
mitgl. Zentralaussch. d. Werbewirtsch.,
Bad Godesberg, ARSmitgl. Werbering
GmbH., Frankfurt - 6 Frankfurt/M., Dit-
marstr. 29 - Geb. 13. Sept. 1901 Altena/W.

POTTHOFF

Stadtdirektor - 333 Warburg/W., Rathaus.

POTTHOFF, Anneliess

Prof., Hochschullehrerin - 463 Bochum,
Farnstr. 59 - Gegenw. ao. Prof. Päd.
Hochsch. Ruhr/Abt. Essen (Kunsterzieh.).

POTTHOFF, Erich

Dr. rer. pol., Dipl.-Kfm., Prof., Wirt-
schaftsprüfer, Vorstandsmitgl. RWV Ratio-
nalisierungskur- u. Dt. Wirtschaft u.
Schmalenbach-Ges., Vorstandsvors. Inst. f.
Wirtschaftsprüfer in Dtsch. (e.V.) - 4005
Büderich b. D'dorf, Am Hovel 6 (T. 30 00)
- Geb. 10. Jan. 1914 Köln - Oberrealsch. u.
Univ. Köln (Dipl.-Kfm. 1939, Promot.
1941); kaufm. Lehre ebd. - 1934-35 Angest.
Gebr. Stollwerk AG., Köln, Werkstudent,
1937-46 Assist. Prof. Eugen Schmalenbach
u. Prokurist Schmalenbach'sche Treuhand-
AG., 1946-49 u. 1952-56 Leitg. Wirt-
schaftswiss. Inst. d. Gewerksch. ebd. 1949
-52 Mitgl. Stahltreuhandervereinig., Düs-
seldorf, 1957-62 Vorstandsmitgl. Zentral-

verb. dt. Konsumgenoss., Hamburg, s.
1963 Vorstandsmitgl. Wirtschaftsberatung
AG., D'dorf, S. 1951 Lehrtitelg. Univ.
Hamburg (Lehrbeauftragt.) u. Köln (1963 Hono-
rarprof. f. Personalwesen u. Öffnl. Betrie-
be) - BV: Theorie u. Praxis d. soz. Be-
triebspolitik; Handb. d. Gesellschaftsver-
träge in Personalges. (m. Zintzen u. Halft);
D. Kampf um d. Montan-Mitbestimmung.
Mitverf. (Schr. Arbeitsr. Krähe Schmalen-
bach-Ges.); Konzern-, Leitungs-, Unter-
nehmens-, Finanzorg. (4).

POTTHOFF, Gerhard

Vorstandsmitgl. Horten AG., Düsseldorf
(s. 1968) - 4 Wittlar b. Düsseldorf - Geb.
2. Nov. 1919 Eünde/W. - Sparkassenlehre
Eünde; Wirtschaftslehre Freiburg/Br.
(Abitur) - 1940-45 Luftwaffe (Ltn.); s. 1945
Einzelhandel (1954-58 stv. Vorstandsmitgl.
Emil Köster AG. (DEFAKA), Herford,
bzw. Mitgl. d. Geschäftsfg. Helmut Horten
GmbH., D'dorf) - Liebh.: Jagd, Wandern.

POTTHOFF, Heinrich

Dr. jur., Vorstandsmitgl. Glückauf-Braue-
rei AG., Gelsenkirchen - 465 Gelsenkir-
chen-Buer, Gysenbergstr. 11 - Rechtsanw.

POTTHOFF, Heinz

Dr. oec., Ministerialdirektor a. D., MdL
Nordrh.-Westf. (s. 1966) - 48 Bielefeld,
Carl-v.-Ossietsky-Str. 22 - Geb. 30. März
1904 Bielefeld (Vater: Peter P., Kaufm.;
Mutter: Auguste, geb. Schröder), verh. s.
1938 m. Charlotte, geb. Krause - N. Ex-
terner-Abitur 1932-36 Univ. Köln, Frank-
furt/M., Zürich (Wirtschaftswiss.) - B. 1946
Itd. Stellungen Industrie, dann Ministerial-
dir. Wirtschaftsm. NRW, 1950-52 dt.
Stellv. u. Vertr. Rat d. Intern. Ruhrbehör-
de, 1952-63 Mitgl. Hohe Behörde d. Europ.
Gemeinschaft f. Kohle u. Stahl, ARsman-
date u. a. SPD - BV: D. Montanunion in d.
europ. Gemeinsh., 1965; V. Besatzungs-
statut z. europ. Gemeinsh., 1968 - 1959 Gr.
BVK m. Stern u. Schulterbd., 1960 Groß-
offz. kreuz m. Stern u. Schulterbd. ital. u.
luxembg. VO.

POTTHOFF, Karl

Dr.-Ing. (Habil.), Prof. f. Werkstoffkunde
d. Elektrotechnik - 7 Stuttgart, Zeppelin-
str. 145 (T. 63 01 13) - Geb. 16. April 1904
Ammendorf/Sa. (Vater: Wilhelm P., Ing.;
Mutter: Anna Dassdorf), verh. s. 1933 m.
Irmgard Nagel - TH Dresden (Dipl.-Ing.) -
1934-56 Bosch u. AEG (1945); s. 1949 Doz.
u. apl. Prof. (1955) TH bzw. Univ. Stutt-
gart - BV: Meßtechnik d. hohen Wechsel-
spannungen, 1941. Üb. 50 Fachausf.

POTYKA, Lin, geb. Ritter

Schriftstellerin (Ps.: Lina Ritter) - 78 Frei-
burg/Br., Rötzbuchweg 53 (T. 5 43 10) -
Geb. 18. Mai 1893 Neudorf/Els., kath.,
verh. m. Dr. Paul P. (RA), 2 Kd. - W. D.
Grafen v. Pfirdt, Dr. 1911; Peter Hagen-
bach, Dr. 1914; Frauenbrüder ins Feld,
1916; Martin Schongauer, R. 1940, NA.
1962; Hört, Brüder, hört!, Dr. 1953; D.
Perlenkette, Jugenderz. 1954; Elsasseschi
Haiku, R. 1965. Hörsp.: Dantes Heimweh,
D. Schwedenschwur, D. arme Magd.

POULLAIN, Ludwig

Dr. rer. pol. h.c., Generaldirektor, Vor-
standsvors. Westdeutsche Landesbank -
Girozentrale, Münster/Düsseldorf (s. 1969)
Präs. Dt. Sparkassen- u. Giroverb., Bonn
(s. 1967) - 44 Münster/W., Wemhofstr. 5
- Geb. 23. Dez. 1917 Lütrringhausen (Rem-
scheid) - Ab 1957 (Lehre) Städt. Sparkasse,
Remscheid, 1950-55 Rhein. Sparkassen- u.
Giroverb., D'dorf (Prüfer), 1955-58 Stadt-
sparkasse, Solingen (Vorstandsmitgl.),
1958-64 Kreissparkasse, Recklinghausen
(Vorstandsvors.), 1964-58 Landesbank f.
Westf. - Girozentrale, Münster (Vorstands-
mitgl., 1966 - vors.), 1963 zugl. Rhein.
Girozentrale u. Provinzialbank, D'dorf
(Vorstandsvors.), Aufsichts- u. Verw.-
ratsmandate - 1968 Ehrendoktor Univ.
Münster.

POULSON, Georg

Kaufmann (Fa. Geo Poulson, Hamburg).
Vors. Verb. d. Dt. Dental-Med. Großhan-

dels, Frankfurt/M. - 2 Hamburg 26,
sternstr. 18 - Geb. 25. Dez. 1896 Ham-
burg (Vater: John P., Kaufm.; Mutter: Maria
Kahl), verh. 1921 m. Carla Lessenich
(gest. 1954) - S. 1919 väterl. Fa.; Teil-
beider Weltkr.

POVH, Bogdan

Dr. rer. nat., o. Prof. u. Mitdirektor
I. Physikal. Inst. Univ. Heidelberg -
Heidelberg, Quincestr. 46 (T. 4 35 14)
Inst.: 4 33 49) - Geb. 20. Aug. 1932 Bu-
Jugosl. (Vater: Dr. Vekoslav P., Ver-
w. ler; Mutter: Olga, geb. Cerkyvenka)
s. 1957 m. Anna, geb. Križanič - St.
Physik (Dipl. 1955 Ljubljana) - S. 1957
Ord. Heidelberg. Spez. Arbeitsgeb.:
physik.

PRACHT, Dieter-Friedhelm

Geschäftsführer Klöckner-Ferromat
GmbH., Castrop-Rauxel - 463 Bochum,
Baumhofstr. 43 - Geb. 5. Febr. 1935.

PRACHT, Karl

Dr. rer. pol., Syndikus, Geschäftsf.
verb. Halbzeug u. Verpackung im Ge-
werb. kunststoffverarb.-Ind., Industrie-
Kunststoff-Bodenbeläge, Arbeitgem.
Bettfederind., Verb. d. dt. Schirm-
alle Frankfurt - 6 Frankfurt/M., Am-
Burger-Weg 119 - Geb. 17. Febr. 1911
Dithm.

PRACHT, Karl

Dr. jur., Hauptgeschäftsführer Dt.-Ind.
Handelskammer - Neu-Delhi (Indien),
P. O. B. 252 (T. 7 94 39) - Geb. 29. Sept.
1912 Nürnberg - B. 1955 IHK Porphz.
(Hfg.), dann Dt.-Ind. HK, Bombay (G.)
bzw. Neu-Delhi (Hfg.).

PRACK, Rudolf

Filmschauspieler - Wien XIII, Stössel-
15 (T. 82 33 66) - Geb. 2. Aug. Wien -
100 Filmmrollen (wichtigste s. XIII u. M.
Ausg.); Fernsehreihe: Landarzt Dr. B.
- Bambi-Preis Film-Revue.

PRÄNDL, Ludwig

Fabrikant, pers. haft. Gesellsch. Geor.
Prändl KG., Strick- u. Wirkwarenfabr.
Neuburg - 8358 Neuburg/Donau, Rosen-
161-163 (T. 22 57) - Zeitw. Vors. Indu-
strie- u. Handelsgremium Neuburg.

PRAETORIUS, Gisela, geb. Illing

Hausfrau, 1950-54 u. 1958-62 MdL NRW
1953-57 MdB/CDU (Ratingen), s. XV.

PRAETORIUS, Wolfgang

Dr. jur., Staatssekretär - 23 Kiel, Rye-
str. 4 - Geb. 18. Jan. 1910 Schleswig,
verh. in 2. Ehe (1963) m. Gudrun, geb.
Wolken - Univ. Tübingen, Berlin, Kiel
(Rechts- u. Staatswiss.), Promot. Bonn
1938-39 Richter A - u. IG Stettin, 1939-
Synd. Pommercher Industrieverein
ebd., 1945-46 städt. Oberverw. rat u.
komm. Stadtrat Lübeck, 1946-47 Chef-
sidiakanzlei Schlesw.-Holst. Landest.
Kiel, dann Amtschef Schlesw.-Holst. Mi-
n. (1950 Min. dir., 1964 Staatssek.)

PRÄTSCH, Kurt

Techn. Angestellter (Bezirksamt Perry-
Mitgl. Hbg. Bürgerschaft (s. 1957) -
Hamburg 80, Ladenbeker Furtweg 205 -
Geb. 26. Sept. 1919 Liegnitz, verh. - A-
bausch. Liegnitz (Mittlere Reife); Lehr-
Vermessungstechniker - 1938-45 Arkt.
Wehrdt, 1948-51 Bürgerm. Sierkerstr.
1951 ff. MdK Lauenburg, SPD s. 1946
(Kreisvors. Bergedorf).

PRÄUNER, Ferdinand

Dipl.-Ing., Direktor - 54 Koblenz, Mos-
uferstr. 41 - Geb. 21. Aug. 1901 Seck-
Mfr. - U. a. Vorstandsmitgl. Koblenz
Elektrizitätswerk u. Verkehrs-AG. u.
schäftsf. Kraftwagenverkehr Koblenz

PRAGER, Gerhard

Hauptabteilungsleiter Zweites Dt. Fern-
hen, Mainz (s. 1962) - 6507 Ingelheim
Allemannenstr. 26 (T. 03132/29 68) -
1. Febr. 1920 Zwickau/Sa. (Vater: Wil-
P., Obersteiger; Mutter: Margarethe)

30

For 5 pm mtg
on 10/5

OFFICE MEMORANDUM

TO: Mr. Leif E. Christoffersen

DATE: September 24, 1971

FROM: Treasurer's Department *CEM*SUBJECT: Briefing on Westdeutsche Landesbank Girozentrale (WLG)

The WLG belongs to a group of regional banking institutions in Germany which, in addition to offering the full range of banking services, fulfills special functions for the savings bank sector. These institutions called "Landesbanken" (state banks) and/or "Girozentralen" (clearing banks) are the central banks for approximately 850 German public savings banks and exercise a clearing house function between the savings banks; they also manage the liquidity reserves of the savings banks in their areas and are active in business areas which the savings banks cannot handle for practical or legal reasons (large lending operations, foreign operations, underwriting, etc.). There are 12 such regional institutions with the Deutsche Girozentrale-Deutsche Kommunalbank in the role of central banker for the group. The total deposits of this group of banks amounted to about DM 123 billion (equivalent to about \$34 billion at the old parity) as of December 31, 1970.

The WLG is by far the largest regional bank in this group. Its deposits of DM 37 billion (about \$10 billion equivalent) account for about one-third of the deposits of this group and the next largest Girozentrale is only about half its size. Measured by its deposits it is the largest bank in Germany followed closely by the Deutsche Bank. Among the 500 largest banks in the free world the WLG ranks in tenth place.

In the past we have placed with the WLG, in four operations, a total of DM 800 million in 1968 and 1969 (see attachment I) at a time when the strong liquidity position of the savings banks made it possible to take such placements. Since then the Federal Government, Federal Agencies and public authorities have increasingly used this method of private placements to support their public issues. This increased demand combined with a less favorable liquidity position of the banks, prevented the WLG and other banking institutions from proposing private placements to the Bank in 1970 or 1971. The prospects through calendar 1972 for such operations do not look promising.

In view of these limitations in the private placement sector the WLG through their President, Mr. Poullain, has contended that the underwriting syndicate for our public issues in Germany should be revised so as to assign a more important and adequate role to the savings banks. (See attachment II). He contends that although almost all of the Girozentralen are members of our public issue syndicate in Germany their quotas (totalling about 15% of an issue) do not reflect their actual placing power with or through the savings banks. WLG suggested that the management of the syndicate should alternate in the future between them

President has seen

and the Deutsche Bank with an appropriate amendment of the individual quotas. Mr. Poullain also stressed that this view was shared by Dr. Hankel of the Economics Ministry.

These suggestions for a change in the syndicate of public issues would be of interest to the Bank primarily in two circumstances:

- (1) Dissatisfaction with the present syndicate. This is not the case with our syndicate for public issues managed by the Deutsche Bank who have been able to place our issues even under difficult circumstances such as at the beginning of May 1971 at the height of a monetary crisis.
- (2) A substantial increase in the size of our access to public markets in Germany. Even in this case it is not clear whether additional placing power for public issues is needed since the Deutsche Bank has demonstrated that it can place issues for us twice the size of our recent efforts. Mr. Poullain, however, has pointed to the strength of the savings bank sector in this regard. This claim is supported by the fact that the Girozentralen and savings banks, including their branches, comprise about 16,000 bank offices in Germany or more than three times the number of bank offices of the commercial bank sector. Nonetheless, we have no evidence one way or the other whether individuals who deposit their savings in savings banks are potential bond buyers.

The Economics Ministry, according to Poullain, would prefer to have public issues placed more extensively than in the past with domestic investors (about 40% or more of our German issues have in the past been placed abroad) which would be helped by giving the savings banks a stronger role in a syndicate. Thus, it is possible that the Bank might obtain support from the Girozentralen in obtaining permission for larger or more frequent issues if the Girozentralen can demonstrate that their depositors are in fact potential additional bond buyers who do not purchase bonds through the commercial banking sector. The Girozentralen have for some time been critical of the large commercial banks for their "conservatism" and this meant in political terms that they were much closer to the Socialist opposition than to the ruling CDU party. After the change in Government and the ascendancy by the Socialist party, the Girozentralen might now have a much better base to make their point with the present administration. Mr. Poullain of the WLG is purported to be a member of the German Socialist party.

In conclusion:

- (1) For the present size of our public issues and the present volume of borrowings in Germany we have no reason to change our underwriting syndicate. Joint or alternating management of our public issues by the Deutsche Bank and the WLG seems unnecessary. Nor is a competing commercial banking syndicate of banks led by the WLG attractive since it would, in practice, only mean a redistribution of the same market with a slight

possible shift of emphasis towards the domestic investor - not necessarily an advantage to us.

(2) We would like to see the WLG tap new market sectors. There are three possibilities; the first two seem clearly attractive:

(a) private placements with them as in the past, or

(b) through them to the savings banks themselves.

The third possibility is for the WLG to underwrite an issue with other savings banks and then distribute the bonds to depositors in savings institutions. The savings banks offer in many areas the only banking service available; i.e. there are no commercial banking facilities. They could therefore primarily be considered as a selling force. The attraction to the buyer is the higher yields. Up to now, the percentage of the consortium allocated to the Girozentralen was too minor to develop that market. On the other hand since many individual savers who save through savings banks have the option of buying bonds through the Deutsche Bank, it may be that they have already made the decision not to hold their savings in the form of a marketable, but less liquid asset. We should be careful that our offering to savings depositors does not tap the same funds as our public issues through commercial banks - unless we are assured that the government would permit us to increase the total volume of borrowings only on that basis. We have doubts whether the German Government would permit us to increase our borrowings if we used the WLG as underwriters for distribution to savings depositors. Recently the Bank asked that its obligations be considered as legal investments for mortgage banks who refinance their investments by frequent and direct market offerings. We were advised that since we have access to the market for a certain amount (which may fluctuate from time to time depending on market conditions, etc.) the addition of a new vehicle or source of funds is unnecessary given our present techniques and procedures for market access.

EHRotberg:HCHittmair:mb

cc: Mr. Aldewereld

PAST BUSINESS CONTACTS BETWEEN
IBRD AND THE WESTDEUTSCHE LANDESBANK GIROZENTRALE

A. Borrowings from the Westdeutsche Landesbank Girozentrale

1. 6-1/2% Loan of 1968, due July 1, 1982

Principal Amount - DM 400,000,000

Price - 98

Dated - July 1, 1968

Maturity - DM 67,000,000 each 7/1/1977-81

DM 65,000,000 on 7/1/82

In addition to any installment due on any maturity date
the Bank has the right to pay one additional installment
which will be credited in the inverse order of installments.

Interest Payable - January 1 and July 1

2. 6-1/2% Bonds of 1968, due January 1, 1984

Principal Amount - DM 150,000,000

Price - 98-3/4

Dated - December 16, 1968

Maturity - January 1, 1984

Sinking Fund - DM 18,750,000 by lot on 1/1/77-84

Callable - In full on or after January 1, 1977 at par on any
interest date on not less than 3 months' notice

Interest Payable - January 1

3. 6-1/2% Bonds 1969, due January 1, 1984

Principal Amount - DM 125,000,000

Price - 98-3/4

Dated - January 24, 1969

Maturity - January 1, 1984

Sinking Fund - DM 15,625,000 annually by lot on 1/1/77-84

Callable - In full on or after January 1, 1977 at par on
any interest date on not less than 3 months' notice

Interest Payable - January 1

4. 6% Bonds of 1969, due April 1, 1984

Principal Amount - DM 125,000,000
Price - 95
Dated - April 1, 1969
Maturity - April 1, 1984
Sinking Fund - DM 15,625,000 annually by lot on 4/1/77-84
Callable - In full on or after April 1, 1977 at par on
any interest date on not less than 3 months' notice
Interest Payable - April 1

B. Portfolio Sales to the Westdeutsche Landesbank Girozentrale

In addition to the above transactions, Westdeutsche Landesbank has purchased portions of our Loans in the amount of DM 15,323,300 (US\$ equivalent - \$ 3,734,791) of which there remains outstanding DM 5,457,500 (US\$ 1,376,642). During FY's 1959, 1960, and 1962 they purchased out of the Bank's portfolio a total of DM 9,865,800 (US\$ 2,358,149) with various maturities up to March 15, 1964. In FY's 1968 and 1969 they participated in the Bank's loans totalling DM 5,457,500 (US\$ 1,376,642) with maturities from June 1, 1972 to December 15, 1974.

WORKING TRANSLATION OF LETTER FROM
WESTDEUTSCHE LANDESBANK DATED MAY 7, 1971

Dear Mr. McNamara:

After our meeting in January 1971 which I found very encouraging, and during which we discussed the relationship of the West Deutsche Landesbank and of the entire German savings banks sector vis-a-vis the World Bank, I had the pleasure to meet Mr. Aldewereld in Dusseldorf on April 26.

He and I have talked about the placement of an issue for the World Bank after Mr. Aldewereld had discussed this same subject on the previous day with Ministerialdirektor Dr. Hankel.

I told Mr. Aldewereld that - as in 1970 - there were also no chances for 1971 and probably even for the subsequent year to float DM issues for the World Bank in the form of private placements. The reasons for this are the high capital requirements of the German Government.

The situation was different in 1968 and 1969 when a high degree of liquidity made it possible to increase the volume of such private placements; nowadays the Federal Government as well as the State Governments use this approach of placing notes in the domestic market in order to raise funds aside from public issues. If we were to make a private placement for the World Bank this would now mean that we would have to absorb practically the entire issue ourselves.

Mr. Hankel is of the opinion that it would be advisable now if the leadership in the banking syndicate for the Bank's public issues would alternate in the future. The reason why the representative of the Federal Government would welcome such a change is the fact that 70 to 80% of the foreign DM issues which, for example, the Deutsche Bank manages, are subscribed to by non-residents. This applies also to World Bank issues, while the issues floated by us are added to the portfolios of individual investors and stay there; this would in particular be the case for World Bank issues. It is important to the representative of the Economics Ministry that in particular World Bank issues should if possible be subscribed to by German investors and should not go abroad.

Concerning our relationship with the World Bank I would think that it would be beneficial for both parties if we would renew our previous active contacts; otherwise there might be the danger that the placement power of the German savings institutions might be lost to the World Bank. I feel very strongly - also for ideological and moral reasons - that the German investor should contribute to the financing of development projects via the World Bank.

As far as the market for foreign DM issues in the Federal Republic is concerned, the monopoly position which was held for years by certain leading German banks no longer exists.

I believe that after all the fund raising the West Deutsche Landesbank has done for the World Bank through private placements, it would only be logical that we should also participate in the business of public issues. It would be understandable if the management of the Deutsche Bank were to object to this but I am sure that they would, at the same time, find our wish understandable and would respect your decision in this matter.

I personally would be highly interested to intensify our business relations.

I would be very pleased to see you again soon.

Sincerely yours

(Signed) LUDWIG POUILLAIN

OFFICE MEMORANDUM

TO : Lars. J. Lind

DATE : May 8, 1972

FROM : J.W. Strobl *JW*

DECLASSIFIED

DEC 04 2012

CONFIDENTIAL

WBG ARCHIVES

SUBJECT : Eppler visit to World Bank

Washington, May 18, 1972

1. In Bonn last week on a routine contact mission I learned that Mr. Knapp had had detailed talks in the German capital recently, that Sir Denis Rickett had likewise been in Bonn to discuss IDA problems, and that as a consequence of the talks held with Mr. Knapp Mr. Wapenhans is expected in Bonn this week. Dr. Coombs had also been in Bonn last week to discuss Indian debt rescheduling problems but could not be received properly because of the political crisis raging in Bonn. (Herr Hiss, Hankel's successor, had been called away by Prof. Schiller and the Economic Ministry asked me to convey their apologies).

In Bonn, furthermore, I learned that the German Minister for Economic Cooperation Dr. Erhard Eppler will visit World Bank headquarters in Washington on May 18 as a consequence of recent talks begun in Bonn at his own initiative by Mr. Clark and myself and in order to continue discussions with Mr. Knapp and Sir Denis.

Dr. Eppler will leave Bonn later this week (May 11) to attend the final stage of the UNCTAD conference in Santiago, from where he will proceed to Washington, irrespective of whether W-Germany's eastern treaties will have been ratified in Bonn this week or not (resulting possibly in the fall of the Brandt cabinet and in early German elections.)

In the following I propose to briefly sketch the Bonn background of the Eppler visit and list the issues the latter will wish to raise when in Washington. These topics I have reviewed with Dr. Hans Janssen of the Development Ministry who is preparing a Ministry briefing paper for Dr. Eppler for the occasion of this visit. (Incidentally, Eppler wishes Janssen to become the next Alternate Executive Director for Germany in order to create a permanent direct and official link between his Ministry and the Bank.)

2. Background of the visit

Primarily Dr. Eppler in Washington intends

-- to introduce and establish himself as an "interested" and active Alternate Governor, a post to which he has been appointed at the beginning of this year and which he intends to keep and make as much use of as possible;

-- to diplomatically correct possible misconceptions concerning the role he plays in German development politics vis-a-vis that of Economics and Finance Minister Schiller.

Such misconceptions, it is feared in the Eppler Ministry, may have received fresh nourishment in Santiago where with Schiller "Bonn set example at UN conference with aid concessions to poor states" (London Times, April 17, 1972, attached). My Eppler Ministry source emphasises that German concessions in Santiago - Capital aid loans to 25 of the poorest LDCs on IDA terms, and to the rest of LDCs at a standard 2% interest with 30 years' maturity and 10 years' grace - are based on an arduously elaborated and defended "Eppler package" and are really the responsibility of Eppler who pushed these conditions up to Cabinet approval.

The Eppler Ministry in Bonn is quite keen for the Bank to fully realize the division of development responsibilities in Bonn: Schiller stays with capital aid and aid refinancing problems. But Eppler, it is stressed, is in charge of basic capital subscription to the Bank, of IDA replenishment and all other institutional and technical cooperation (with UNDP, for instance).

-- to quietly investigate the Bank's long-range personnel policies concerning senior staff. Bonn (both Economics and Development ministries) says it has taken note of the recent appointment of a French director to the European Office. Bonn also realizes that within the next few years vice-presidential positions will come in for reappointments.

3. Topics of discussion

With the above background in mind, Eppler, whose programme is being coordinated by the German ED Mr. Stedtfeld, has already received word that he will meet with Mr. McNamara and the Vice-Presidents. Here are the topics Eppler intends to bring up if given the chance:

- (1) The World Bank's political image in Germany, especially in view of IDA. The Eppler Ministry feels that a McNamara visit to Germany, one of the principal supporters of the Bank is overdue. Such a visit need not cater to the German capital market which is favorably disposed anyhow, it is felt. Rather it should be arranged to provide opportunities for Bundestag and party politicians as well as for engaged development institutions (such as the German Forum for Development Policies and the German Foundation for Developing Countries) to throw glances at the men at the helm of the Bank, the merits of which, it is felt, need constant explaining to the German public and politicians. Vice-Presidents, needless to say, are equally welcome to certain public exposure in Germany.

- (2) IDA Replenishment IV (and the possibility of having to renegotiate III). Further conversation with Sir Denis.
- (3) Cooperation with the Bank's Area and Projects departments. Further to the recent conversation with Mr. Knapp when certain areas for intensified cooperation (Agriculture and Education) had been singled out, as well as geographical areas (Algeria, Maghreb and East Africa) where closer coordination seemed desirable and practicable.
- (4) SDR links to development. Eppler's earlier attempts (through Clark and myself) to contact Mr. McNamara on this question had been based on a plan by the former Schiller expert Herr Hankel who until recently had been in charge of the capital and currency department of the Economics' Ministry. (The plan was for tying a certain percentage of SDR's to a debt rescheduling fund benefitting LDCs.)
- (5) EEC development policy trends. All German Ministries concerned (Foreign Affairs, Economics and Finances, Economic Cooperation) have fixed the German position vis-a-vis the recent EEC Commission's development memorandum. Development discussions are expected to be resumed in Brussels after the enlargement of the Community by Britain and three other European countries will have become effective.

(Regarding the German position paper which has been cleared between State Secretaries of the various ministries, see my separate memorandum of May 8, with original attached.)

Perhaps it should be stated as a final observation and in view of the present uncertainties of Bonn politics that Bonn's shadow development minister Walter Leisler-Kiep (CDU) is on record for positions almost identical to those held by Eppler. Kiep has criticized Eppler only for his inability to comply with his self-inspired ambitious Cabinet resolution on foreign aid.

cc: Mr. J. Burke Knapp
Sir Denis Rickett
Mr. Arthur Karasz

OFFICE MEMORANDUM

TO : Mr. Lars J. Lind

FROM : J.W. Strobl *J.W. Strobl*

SUBJECT : Eppler proposal for German development bond issue.

DATE : May 8, 1972

~~CONFIDENTIAL~~ DECLASSIFIED

DEC 04 2012

WBG ARCHIVES

In Bonn last week I had a conversation with Ministerialrat Dr. Joerg Jaeckel of the Economics' Ministry who has succeeded Herr Koinzer and who has taken charge of World Bank affairs on behalf of the Schiller Ministry. As customary in Bonn, Jaeckel warned against direct dealings with the Eppler Ministry and appeared distressed over Eppler's attempt to have his own man placed with the Bank in Washington (see my memo concerning the Eppler visit, May 8, 1972). Jaeckel, a former alternate ED of the Bank, in Bonn is again under Herr Hanemann, a former ED. These are the salient points resulting from our conversation:

1. Eppler's proposal for a \$15 million development bond issue in Germany (mentioned to Messrs. Knapp and Clark) to popularize foreign aid has been killed internally by the Economics' Ministry. (Pertinent instructions have already been sent to the German ED Herr Stedtfeld.) Even in his own ministry Eppler appears to have been ill-advised to interfere with capital market aspects. Officials of both ministries feel that Eppler should confine himself to development policy and to technical aid. Eppler is not expected to press the issue further when in Washington.
2. Some excitement was registered in Economic Ministry circles over a DPA-report (see attachment) ex-Washington and head-lined "World Bank examines 'Discriminations' ". The report refers to discussions going on at present about the controversial trade preferences granted by the EEC to certain LDCs.

The Bank has "no business" to deal and interfere with this question was Hanemann's and Jaeckel's reaction, even before they had obtained the requested official explanation via the ED Herr Stedtfeld.

3. Other points included rearrangement of our press release service for the Bonn ministries and the distribution of RSM's UNCTAD speech, for which a number of requests had been received.

Attachment

cc: Mr. A. Karasz

Mr. Knapp
Mr. Alderson
En Denis Pichot

PRESS CLIPPING SHEET

Frankfurter Allgemeine, May 4, 1972

Weltbank prüft „Diskriminierung“

WASHINGTON, 3. Mai (vwd). Die Weltbank untersucht gegenwärtig die Auswirkungen „diskriminierender“ Zollpraktiken bei Ausschreibungen von Projekten, die von ihr in den Entwicklungsländern finanziert werden. Wie das Institut mitteilt, ist diese Aktivität auf Proteste der amerikanischen Industrie und einiger anderer Industrieländer zurückzuführen. Kritik wird besonders an den gegenseitigen Präferenzabkommen zwischen den Ländern der Europäischen Wirtschaftsgemeinschaft und einigen Entwicklungsländern geübt, die zu einer Bevorzugung der Produkte aus der EWG führten.

OFFICE MEMORANDUM

TO : Files

DATE : June 26, 1972

FROM : J.W. Strobl *JW*

*1) Concept, on 2/20/72
2) Projects 2) 4/2/72
3) Procedure for adding
+ work with TSE*

SUBJECT : German development position
Eppler visit to Washington, July 5, 1972

When Erhard Eppler, Bonn's Minister for Economic Cooperation, ~~shall~~ meet with the Bank's management in Washington next week, he thinks that he will be able to talk from a position of relative strength. And he thinks (perhaps erroneously) that the Bank will appreciate this.

*4) Plans
5) 7/1
5) 5/1*

The reasons for Eppler's optimism are these: (1) Germany's aid performance has been scrutinized and favourably commented upon by DAC (OECD), in Paris last week. (2) Bonn thinks it made a favourable impression on LDCs at the UNCTAD conference in Santiago last month. (3) Finally, Eppler feels that with his own joining the Bank as an Alternate Governor the more progressive German aid policies have become anchored in the world's leading development organization. In this context it may be significant that Eppler believes his views to be identical with those of Mr. McNamara.

1. The DAC comments on Germany

In their annual analysis of aid performance of the rich countries (members of OECD) DAC reported positive tendencies in Germany:

In the year under review (1971) German development credit conditions averaged running periods of 29,9 years and grace periods of 8,9 years at an interest rate of 2.44%. German intentions to streamline future aid with durations of 30 years and 10 years grace at 2% were welcomed in Paris. Moreover, Bonn confirmed that they intended to lower conditions to interest rates of 0.75% and running periods of 50 years for the 25 poorest of LDCs.

The DAC analysis showed also that Germany's performance in untying multilateral aid contributions was well above the average of other countries: 76% of German capital aid last year had not been tied to German deliveries. Multilateral contributions reached 28% of total German development aid. Public contributions, though only half of the 0.7% Pearson Commission target, had increased to 0.34% (from 0.32% in 1970)/or DM 3,1 billion.

2. Germany at UNCTAD

At Santiago the Germans were the first to come forward with precise special aid concessions to the recently identified 25 poorest nations (16 African, 8 Asian and 1 Latin American). Based on an "Eppler package" for which the German Development Minister had fought arduously at home, the Germans announced that

(1) In future Germany will give these countries capital aid loans on IDA terms (0.75% interest, over 50 years including 10 years grace).

(2) Volume of soft aid to the poorest countries was to be increased without detriment to other developing countries.

(3) In future Bonn's official capital aid loans to the rest of developing countries would be at a standard rate of 2% with 30 years maturity including 10 years grace.

(4) The share of grants in official German aid will be increased well above the one offered by other Western countries (for example, it will be 60% higher than that of the UK).

3. Eppler visit background

See my memorandum to Lars Lind, May 8, 1972

cc: William Clark
Arthur Karasz

1972 JUN 30 10:43
COMMUNICATIONS
SECTION

RECEIVED

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Edward G. Miller - 7/27/72
Dinner at a European Bank for Africa -
the French attitude is that nothing should
be done to change the proportion of aid going
to the 18 franc zone countries

Support for inflation FRG has been reduced
because 1) rising int. in response to in-
formational operations in Europe 2) for the
1st time & big banks competing for funds
can't win elections on basis of high yield
I stated we would be delighted to work more
closely with FRG on fund work.

How can FRG become more popular in Africa
can do it by public relations alone -
if public has ownership of FRG bonds would
help but how to do it: FRG bonds are sold
at low int. - to sell to FRG public, int. rate
would have to be higher - would that be
worthwhile - don't pay 50% at the beginning
there are Germans who want to do something
for Africa: could tell them around your
but will go to IDA (5257027 people might
do this) -

What I am keen on is not the details but to have
Germans (not only banks) who own FRG bonds

* couldn't do it until after the Nov. election

would like to be For. Min. at the that is unlikely - (C)
most probably that he will stay as Dev. Min.

INTERNATIONAL BANK FOR
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ASSOCIATION

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CORPORATION

I said I would be happy to come to FRG
any time (presumably after the election)
+ he said there is what he wanted to
suggest (+ see the Chancellor) -

His country is preparing a new. I need
1.5 million marks per year - would like to
institutionalize matter of participation -
could FRG do it - would want 10000
per year for 1973 year -
I said unlikely but he left a paper for
me to study.

I suggested EEC (+ he mentioned Marshall)
should carry on beyond 1972 limits of growth.
Keep in touch re their of participation
+ go - Sales is not the main
objective perhaps.

He raised ques. re Denis' (D: if FRG
had a good amount of open market they
chance" - may emerge -
would not be as high as the 1970s -
the 1970s -

he suggested his Deputy - John - former
of Knapp Foundation
Schiller will be out. I expect by end of 72
of Brundt comes in also (+ that is not sure)
I expect will probably be For. Min. + Gopher

Mr. McNamara:

July 20, 1972

Visit of West German Minister of Economics and Finance, Helmut Schmidt

The Minister is expected today at 5:30 p.m. He will most likely be accompanied by the German Ambassador, Mr. Rolf Pauls, Mr. Mommsen, Secretary of State for Finance, and Dr. Hiss, Department Chief in the Ministry of Economics (concerned with Bank and Fund affairs). Mr. Artopoulos will also be there. A sheet of biographical data on Mr. Schmidt is attached.

The visit is intended as a courtesy call to re-establish contact in the Minister's new capacity. He visited you in 1968 and you met at the conference at Marienlyst, Denmark, in 1969.

Mr. Schmidt is unlikely to be familiar with the details of the Bank's work. Among possible topics which he might raise are (according to Messrs. Aldewereld and Rickett):

1. The Bank's borrowing and lending program for 1974-78 and the share of the borrowing needs which can be met from the German market.

In this connection it would be natural to express appreciation for the access the Bank has had to the German market and the wise counsel as to market conditions and timing of issues which we have received from the Economics Ministry over a five-year period; and the hope that this may continue. Tables of borrowings outstanding in West Germany are attached. Future over-all borrowing plans are in your Table IIIId, attached.

2. Prospects for Third and Fourth IDA Replenishments.
3. Employment of German nationals in the Bank. Numbers and percent of Germans on the Bank staff since 1968 are shown on an attached sheet.
4. Representation of China.

Mr. Schmidt has just been decorated by Mr. Laird for his work as Minister of Defense. He will have met with Secretary Schultz and Mr. Schweitzer earlier today. I will bring him over from Mr. Schweitzer's office. If you agree, Sir Denis Rickett would like to attend the meeting.

AL

President has seen

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

Attached is a schedule showing our
outstanding funded debt in Germany as of June 30, 1972.
Of the total amount of \$1,754,803,724 equivalent,
\$744.5 million equivalent is outstanding with the
Bundesbank (specified on the following page). The
balance represents the bond issues through the Deutsche
Bank, placements with the Westdeutsche Landesbank,
Deutsche Girozentrale and Deutsche Genossenschaftskasse.

HELMUT SCHMIDT

Born 1918 in Hamburg.

1939-45 Served in German Army

1946-49 Economic Studies in Hamburg (under Schiller)

1949-61 City State administration, Hamburg

1961-65 Senator of Interior, City State of Hamburg

1946- Member of SPD

1953-62 Member of Bundestag
and
1965-72

1965- Floor leader for SPD

1969-72 Minister of Defense

July 7'72 Minister of Economics and Finance

Minister Schmidt is short, energetic, witty and fluent in English. He is known as an excellent manager from his days as Administrator in Hamburg and Minister of Defense

July 20, 1972

DEUTSCHE MARK BORROWINGS OUTSTANDING

JUNE 30, 1972

(Expressed in US Currency)

4-1/2% Bonds of 1960, due 1972 (DM 50,000,000)	\$ 15,515,904
Loan of 1969, due 1972-73	
6-5/8% due 1972 (DM25,000,000)	7,757,952
6-3/4% due 1973 (DM50,000,000)	15,515,904
6% Bonds of 1969, due 1972-81 (DM150,000,000)	46,547,711
6% Notes of 1968, due 1972 (DM130,000,000)	40,341,350
8% Loan of 1971, due 1972 (DM25,000,000)	7,757,952
6-1/8% Notes of 1968, due 1973 (DM150,000,000)	15,515,904
5-7/8% Notes of 1968, due 1973 (DM128,000,000)	39,720,714
6-1/2% Notes of 1969, due 1973 (DM128,000,000)	39,720,714
6% Notes of 1968, due 1973 (DM128,000,000)	39,720,714
7-7/8% Loan of 1971, due 1973 (DM25,000,000)	7,757,952
6-1/2% Notes of 1969, due 1974 (DM130,000,000)	40,341,350
7-1/8% Notes of 1969, due 1974 (Feb.) (DM128,000,000)	39,720,714
7-7/8% Notes of 1969, due 1974 (DM64,000,000)	19,860,357
5% Bonds of 1959, due 1974 (DM40,000,000)	12,412,723
7-1/8% Notes of 1969, due 1974 (Aug.) (DM150,000,000)	40,341,350
8-3/8% Notes of 1970, due 1974 (DM247,000,000)	76,648,565
8-1/2% Notes of 1970, due 1975 (DM259,800,000)	74,414,275
8% Note of 1970, due 1975 (DM61,500,000)	19,084,562
7-1/2% Note of 1971, due 1975 (DM157,500,000)	48,875,097
7-3/4% Note of 1971, due 1975 (DM142,500,000)	44,220,326
7-1/2% Note of 1971, due 1976 (DM69,500,000)	21,567,106
7-3/4% Note of 1971, due 1976 (DM157,500,000)	48,875,097
6-7/8% Note of 1972, due 1976 (DM92,500,000)	28,704,422
5-7/8% Note of 1972, due 1976 (DM157,500,000)	48,875,097
8% Bonds of 1970, due 1977-86 (DM150,000,000)	46,547,711
6-1/4% Notes of 1972, due 1977 (DM150,000,000)	46,547,711
7-1/2% Bonds of 1971, due 1977-86 (DM200,000,000)	62,063,615
6-1/2% Loan of 1968, due 1977-82 (DM400,000,000)	124,127,230
7-1/2% Bonds of 1971, due 1977-86 (DM250,000,000)	77,579,519
6-3/4% Bonds of 1968, due 1978 (DM120,000,000)	37,238,169
6-3/4% Bonds of 1972, due 1978-87 (DM250,000,000)	77,579,519
6-1/2% Bonds of 1968, due 1980 (DM400,000,000)	124,127,230
8-1/2% Bonds of 1970, due 1980 (DM200,000,000)	62,063,615
6-1/2% Bonds of 1963, due 1984 (DM150,000,000)	46,547,711
6-1/2% Bonds of 1969, due 1984 (DM125,000,000)	38,789,760
6% Bonds of 1969, due 1984 (DM125,000,000)	38,789,760
6-1/2% Bonds of 1969, due 1984 (DM250,000,000)	77,579,519
5-1/2% Bonds of 1965, due 1985 (DM209,683,000)	65,068,424

\$1,764,463,305

Less: Bonds purchased 9,659,581

Sub-Total \$1,754,803,724 ^{1/2}

^{1/2} Including \$720.5 million ^{equiv.} from the Deutsche Bundesbank in DM plus \$24 million.

Controller's
July 20, 1972

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

BORROWINGS FROM DEUTSCHE BUNDESBANK OUTSTANDING

March 16, 1972

(In Millions)

<u>Maturity</u>	<u>PRINCIPAL AMOUNT</u>		<u>Interest Rate</u>
	<u>U. S. \$</u>	<u>DM</u>	
August 1, 1972	12	50	4-1/2%
	-	130	6%
February 1, 1973	12	50	6-1/8%
	-	128	5-7/8%
August 1, 1973	-	128	6%
	-	128	6-1/2%
February 1, 1974	-	130	6-1/2%
	-	128	7-1/8%
	-	64	7-7/8%
August 1, 1974	-	130	7-1/8%
	-	247	8-3/8%
February 1, 1975	-	239.8	8-1/2%
	-	61.5	8%
August 1, 1975	-	157.5	7-1/2%
	-	142.5	7-3/4%
February 1, 1976	-	157.5	7-3/4%
	-	92.5	6-7/8%
August 1, 1976	-	157.5	6-7/8%
	<u>\$ 24.0</u> ^{1/}	<u>DM 2,321.8</u>	

\$ 720.5 million

L/ In addition, Bundesbank purchased \$5,050 million of our 5.30% Two Year Bonds of 1972, due March 15, 1974.

TOTAL \$ 744.5 million

Treasurer's Department
Securities Division
March 28, 1972

A.L.

CONFIDENTIAL

111d. IBRD: BORROWING PROGRAM THROUGH FY1980 NET OF CONTINGENCIES AND SLIPPAGE MARGIN (\$ millions and percentages)

BORROWINGS AND REPAYMENTS	Outstanding		Through		Fiscal Years																		Total	Total	Total			
	6/30/71	6/30/80	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1964-68	1969-73	1974-78			
ISSUES TO GOVERNMENTS																												
2 Yr. Central Bank Issues	- Borrowings	350	100	100	100	100	200	200	225	337	350	375	371	375	375	450	450	500	550	600	650	650	825	1808	2325			
	- Repayments	150	100	100	100	100	100	100	200	200	225	337	350	375	371	450	450	500	550	600	650	650	600	1487	2021			
	- Net	725	1250	0	0	0	100	100	25	137	125	38	21	0	4	75	75	50	100	100	100	225	321	304				
Bundesbank	- Borrowings		1156		198	70	64	91	161	148	144	150	164	183	210	169	169	198	222	215	423	767	929					
	- Repayments		553		198	70	64	91	161	148	144	121	122	158	185	169	125	173	197	190	423	696	810					
	- Net	648	888		0	0	0	0	0	0	0	29	42	25	25	0	44	25	25	25	0	71	119					
Bank of Japan	- Borrowings									200	219	45	250	80	153	159	17	67	291	235	714	476						
	- Repayments									0	0	0	40	80	153	159	17	67	291	235	40	476						
	- Net	419	674							200	219	45	210	0	0	0	0	0	0	0	674	0						
Other Governments	- Borrowings		81	23	5	0	0	0	32	15	0	28	0	0	0	28	28	28	42	42	32	43	84					
	- Repayments		42	8	8	8	12	8	15	4	4	4	0	5	0	28	0	0	0	0	51	17	28					
	- Net	63	198		-3	-8	-8	-12	-8	17	11	-4	4	0	-5	0	0	0	28	42	19	26	56					
Total Issues to Governments	- Borrowings	1587	123	105	100	298	270	264	348	513	698	766	566	789	638	813	806	714	843	1155	1142	1280	3332	3814				
	- Repayments	745	108	108	108	306	182	172	306	365	377	485	471	542	609	713	731	592	690	988	975	1074	2240	3335				
	- Net	1855	3010		-3	-8	-8	88	92	42	148	321	281	95	247	29	100	75	122	153	167	206	1092	479				
NON-US MARKET ISSUES																												
Austria	- Borrowings			5											0	0	5	10	10	10	10							
	- Repayments			0											1	1	1	1	1	1	0							
	- Net	5	45		5										-1	-1	4	9	9	9	10	10						
Belgium	- Borrowings		10								0			35	15	15	15	15	15	25	25							
	- Repayments		0								10			0	0	0	0	0	0	1	1							
	- Net		157								-10			35	15	15	15	15	14	24	24							
Canada	- Borrowings		54	0	0	23	19	19	14	0	0	0	69	25	25	25	50	50	75	121	75	69	175					
	- Repayments		18	2	1	1	11	1	1	16	1	1	0	0	0	0	0	0	1	70	15	18	1					
	- Net	72	440		-2	-1	-1	12	18	18	13	-16	-1	-1	69	25	25	50	49	74	51	60	51	174				
France	- Borrowings													36	20	20	50	50	50	50	50							
	- Repayments													0	0	0	0	0	0	0	0							
	- Net		226											36	20	20	50	50	50	50	50							
Germany	- Borrowings		50		63	0	0	30	400	37	151	191	140	171	228	248	267	301	324	331	93	919	1215					
	- Repayments		0		5	5	5	5	5	6	11	29	45	15	11	22	70	94	71	61	20	96	212					
	- Net	729	2512		58	-5	-5	25	395	31	140	162	95	156	217	226	197	207	253	270	73	823	1003					
Gulf States	- Borrowings																											
	- Repayments																											
	- Net		100																									
Italy	- Borrowings			24													10	15	25	35	50							
	- Repayments			0													0	24	0	0	0							
	- Net	24	135		24												10	15	25	35	50							
Japan	- Borrowings											106	46	125	137	250	263	275	296	308								
	- Repayments											0	0	0	0	0	0	11	11	11								
	- Net		1773									106	46	125	137	250	263	269	285	297								
Kuwait	- Borrowings										42		140	25	25	25	50	50	50	100								
	- Repayments										0		0	0	0	0	0	0	0	0								
	- Net	42	488								42		140	25	25	25	50	50	50	100								
Netherlands	- Borrowings		36	0	11	0	0	0	11	0	0	34	17	17	17	17	17	34	45	45	11	68	102					
	- Repayments		3	2	2	2	1	2	1	2	2	1	1	3	3	3	19	2	21	4	8							
	- Net	72	239		-2	-9	-2	-1	-2	-10	-2	-2	-33	-16	-14	-14	-2	-15	-31	-24	-41	-3	-59	-72				
Sweden	- Borrowings										14								20	20	14	20						
	- Repayments										0								1	0	0	0						
	- Net	14	72								14								19	20	14	19						
Switzerland	- Borrowings		154	23	0	14	0	22	17	19	0	18	140	26	32	30	32	109	36	36	53	203	239					
	- Repayments		10	23		1	1	1	32	2	2	30	28	28	4	18	76	4	7	3	5	94	130					
	- Net	202	481		-1	13	-1	21	16	-13	-2	-16	110	-2	-4	26	14	33	32	29	48	109	109					
UK	- Borrowings		56	0	0	0	0	0	0	0	0	0	24	0	0	0	0	36	75	75	96	0	24	111				
	- Repayments		4	1	1	1	2	2	2	2	2	7	0	1	1	6	1	25	1	1	1	9	12	34				
	- Net	24	293		-1	-1	-2	-2	-2	-2	-2	-7	24	-1	-1	-6	-1	11	74	74	95	-9	12	77				
Euro-Issues, etc.	- Borrowings		64	0																								
	- Repayments		59	5																								
	- Net		5	-5																								
Total Non-US Market Issues	- Borrowings	424	47	16	0	100	19	41	86	461	37	202	758	254	410	477	672	877	966	1066	1217	246	1713	3402				
	- Repayments	94	33	4	5	21	10	11	10	67	13	22	60	77	57	34	70	207	127	124	164	57	239	495				
	- Net	1184	6961		-5	79	9	30																				

GERMAN PROFESSIONAL STAFF

		<u>Total</u>	<u>German</u>	<u>% German</u>
April	68	718	40	5.6
"	69	877	46	5.2
"	70	1140	73	6.4
"	71	1324	88	6.6
"	72	1503	83	5.5
June 30	72	1516	94	6.2

The German vote is 5.1% in Bank
 (as of June 1972)
 4.3% in IDA
 3.0% in IFC

32.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: September 22, 1972

FROM: William Clark *WCL*SUBJECT: Heinz Portman Visit 6.30 p.m. Today

Portman wants to have a background non-attributable interview with you about the Bank partly to project a favourable image of the Bank at the time the Swiss are considering joining it. (See an account of the debate in July attached).

Portman is a good friend, and probably the single most powerful economic journalist in the German language. He has been financial editor of the Neue Zurcher Zeitung for 10 years, though he is still only 42. He wrote his thesis on the World Bank (in 1959) and has travelled widely in Africa and India. He is a regular at our Annual Meetings. His permanent correspondent was at last night's meeting.

Points he wishes to raise with you are:

(i) Maldistribution of income - how can the plea for increased ODA be reconciled with the insistence on better income distribution when there are few if any signs that the elites in power in the ldc's are moving in that direction.

*Reagan - 1st. on 10/10/72
M. Fied - 1st. on 10/10/72
India - 5 p.m. 10/10/72*

(ii) Can we not find a better measurement of development than GNP per capita, particularly in the light of the inaccuracies of statistics - even the population numbers in many countries are suspect.

*multination
health - report on 10/10/72
water -
sample data & media
literacy*

(iii) How can the Bank influence ldc's development plans and projects in the desired social directions and how can the Bank contribute to a better international division of labour?

*by talking about J
by providing specific
adv. to specific part
Hansen, P.K.*

(iv) Mr. Black and Mr. Woods used to say that there were insufficient projects available for financing - now the Bank/IDA seems to say that there are plenty of projects but not enough funds. What has caused this change?

*long staff
exp. agreements
with IAD, success,
w. HD
increased absorption
of IDA's
w. IDP pre-work*

WDCClark:sf

The miseries of the development policy

Heinz Portman in this article, published by Neue Zürcher Zeitung on August 28, 1972, starts ^A pointing out that since some time the disenchantment with the development aid has increase^d because of manifold failures. The second development decade strategy was criticized from the outset and at the UNCTAD meeting it was confirmed that there is something wrong in the system "even advocates of the idea of rapid expansion of the western aid, like the World Bank's President, Mr. McNamara, agree today that one cannot expect real development without basic reforms in the economic and social structure of the third world." Income distribution is more important than per capita income according to many.

The writer points out that donor governments for long have been under ^{false} the impression that recipient governments are working hard to improve the economic standard and the social well-being for all their citizens but a thorough analysis would prove that in many countries of the third world the governments are completely against accepting any reform which could diminish their power or their possessions. Under these circumstances, the writer confronts himself with the question: Can foreign aid help to improve this situation?

He then quotes extensively the recent book of TIBOR MENDE, formerly high level staff member of UNCTAD. The book "De l'Aide à la Recolonisation" describes how developing countries are formed by a small urban elite surrounded by an ocean of rural misery in which the elite concerns itself more with western luxuries than in remedying the increasing social and political tensions.

Portman then states that the problem with foreign aid is not the amount which is channelled every year to the third world but, the absorption^{et} capacity of the receiving countries and ^{their} ~~its~~ willingness to implement constructive projects which will help to the well-being of the whole population.

Because the western countries who provided foreign aid are afraid to be accused of interference in internal affairs they have refrained quite frequently from giving advice how to improve the situation. The problem is more delicate when international organizations come into the picture. The writer says that due to lack of such interference the countries receive the money without leverage. The article concludes, summarizing the views from Messrs. Mende and Schoeck ("Foreign Aid" Munich 72) that international civil servants play an ambiguous rôle in the developing picture. He has to live halfway between weak projects and utopian sentimentality. He lobbies for more foreign aid from the budget of his country but is protected from the consequences as he is working with a tax-free salary.

Summary:

The thesis of the article is reflected in its last sentence ".....-..... in order to avoid further failures a reform of the development policy should be introduced as soon as possible. This development policy should force the countries of the third world to abandon unsound practices and increase their self-reliance. Only in this way can a catastrophe be avoided in the longer term."

33.

Mr. Demuth

June 21, 1972

Michael L. Hoffman

Conversation with the European Commission

I was much impressed with Hans-Droder Krohn, Director-General, Development Aid for the European Commission, with whom I had nearly two hours of informal discussions in Brussels on June 16. Krohn moved to this post recently from the Agriculture Directorate, where he worked with Mansholt. Krohn expressed views on several matters of which two are perhaps of some general interest to the Bank.

He said that despite the general impression of frustration at UNCTAD III, he felt that there had been a substantial effect on public opinion in Europe - a profound dissatisfaction in parliamentary, ministerial and intellectual circles with the negative posture of the DAC Governments. He thinks it is quite possible that the Autumn European "summit" (if it takes place) will take political decisions on two things. One would be to proceed on a "regional basis" with commodity and market sharing agreements open-ended, at least in principle. These could not, of course, be stabilization agreements on any of the previous patterns - wheat, tin or coffee. They would be directed towards "stabilizing" - i.e. improving receipts of the participating exporting countries, and undoubtedly highly discriminatory in the GATT sense. Krohn was very much aware that the Bank has been asked by UNCTAD III to re-examine supplementary finance, and that the attitude of the Community Directors is eventually going to be important.

Similarly, Krohn thinks the 10 will agree on the 0.7% target for ODA. They, evidently, have some signals from the U.K. that this may now be possible. Krohn also thinks that the summit will give an impetus to the Commission's proposals for more effective coordination of the aid policies of the countries of the Community. I asked him point blank whether an objective of the Commission was that the members of the Community should take identical positions in multilateral organizations, i.e. the Bank Board. He said that was precisely their objective. He does not think the 1972 summit will go that far, but this is the aim of the Burecrats and they mean to pursue it.

The second general matter on which Krohn expressed views (to the obvious discomfort of his colleagues present during the discussion) was the future shape and size of EAP. The 20 eligible Commonwealth countries in Africa, the Pacific Islands and the Caribbean, have been offered four options:

June 21, 1972

- (a) A Yaounde type agreement which would include pro rata participation in FED;
- (b) They can accept the Arusha pattern which ties them less closely on trade (no reverse preferences) and provides only marginal access to FED;
- (c) They can have a "general trade agreement" which is nothing more than some agreed quotas for specified exports, such as the Community already has with several LDCs, e.g. India, and no access to FED; or
- (d) They can do nothing.

These options have been formally offered to the 20 by the Community and the U.K. (presumably with the agreement of the other adhering countries). There is a whole series of meetings on all this going on now and throughout the summer, of various mixtures of governments. The deadline for decision by the 20 is July 31, 1973, because that is when negotiations for the fourth FED must begin.

Krohn's thinking is, that except for Nigeria, the 20 will accept either the Yaounde or the Arusha formula. In that expectation, he envisages a fourth FED of \$2.5 billion for five years - an increase of 20% over the present level. He also said, with a smile, that it is understood on all sides that the additional resources for FED will not be found by transfers from bilateral programs. I said that I thought such an outcome will be quite reasonable. He did not mention, and I did not raise, the corresponding question with respect to the participation of the 10 in the fourth IDA replenishment, or in UNDP.

Mr. McNamara, Mr. Carriere
cc: Mr. Knapp, Sir Denis Pickett,
Mr. Cheney, Mr. Alexander
Mr. Shoaib, Mr. Nurick
Mr. Chadenet, Mr. Gaud
Mr. W. Clark

MLHoffman/eb

OFFICE MEMORANDUM

TO: Files

DATE: June 22, 1972

FROM: Michael L. Hoffman *MLH*SUBJECT: Research - European Communities

Among other matters I discussed with Mr. Hans-Broder Krohn and some of his associates in the Directorate of Development of the European Commission in Brussels last week was the possible interest of the Commission in jointly sponsoring and financing research directed to problems of the developing countries. The reaction was distinctly negative.

I endeavored to explain why the Bank was giving more attention to research in its own work program and to support of research done elsewhere. I, of course, mentioned CGIAR, to one of whose meetings the Commission sent an observer. I said we were also becoming acutely aware of the potentially high returns from research on end-use technology for major export commodities of the LDC's, such as cotton and hard fibers, as well as of the huge unfilled gaps in our knowledge of basic social and economic conditions - e.g., income distribution, expenditure patterns - and of the need for new research on a whole range of matters affecting urban and rural employment prospects. I said we might be looking for partners in working out effective ways to start to fill some of those gaps.

Krohn said the attitude of the Council of Ministers to Research was one of great "prudence". Research is not as yet a go word in Brussels. There could be no question of using FED money for research. It is all committed to the important task of building infrastructure in the associated countries. These governments would not look kindly on suggestions to divert FED money to research. Research of the kind to which I referred might be of great general benefit, but this is not the business of FED, which serves the exclusive interests of the 18 established states, and so on. As for financing research for the benefit of the LDC's out of the administrative budget of the Community, the question would not even be considered.

Despite this reaction, I had a feeling that I had put a flea in their ear. Their statements on this subject do not jibe at all with the Commission's general effort to bring about a more rational and coordinated policy of the Community toward the problems of the Third World, and they know it.

June 22, 1972

I was intrigued by an item which I read in the Times of London on the train on my way back to the airport after my meeting. It states that Sr. Spinelli, the member of a commission in charge of scientific affairs, has proposed an allocation of \$100 million for 3 years by the Community to support a research program on the "environment" and a "pilot scheme to study the Communities' future requirements of basic industrial materials." I have written Krohn and asked him to send me a copy of the relevant papers which, according to the news dispatch, were published June 15. If, as I assume, Spinelli's initiative is well prepared it is going to be rather difficult for the Commission to maintain its negative attitude toward support of research for the benefit of the Third World.

cc: Mr. McNamara
Messrs. Demuth
Chenery/Stern
William Clarke
Charles Weiss

2363

OFFICE MEMORANDUM

TO: Mr. Anders Ljungh
FROM: Denis Rickett
SUBJECT: Visit of Dr. Sohn

DATE: October 20, 1972

*Mr. McNamara**to see*

I understand that Prof. Dr. Sohn, State Secretary in the Ministry for Economic Cooperation of the German Federal Republic (the Eppler Ministry) will be calling on Mr. McNamara at 12:10 p.m. on Monday, October 30th.

2. I understand from Dr. Stedtfeld that this is intended largely as a courtesy visit but Dr. Sohn is known to be interested in the following questions:

1. The recent reorganization of the World Bank Group Staff. The reasons for it and the aims in view.
 2. The Fourth Replenishment of IDA, particularly the Bank Group's own ideas about it.
 3. Questions of unemployment and income distribution in the context of foreign aid policy. (Dr. Sohn is writing a book about development policy in which he intends to give special prominence to the two questions of unemployment and income distribution.)
 4. Procedures adopted by the World Bank Group for the hiring of consultants. Both the Bundestag and the Trade Association are anxious to see wider opportunities given to Germans. Dr. Stedtfeld has already explained to them that the hiring of consultants is usually a matter for the Borrower and that the World Bank, as such, does not intervene except, perhaps, in UNDP projects where it is the executing agency.
 5. Cooperation between the Ministry and the World Bank Group in projects financed by the World Bank Group to which Germany can contribute technical assistance.
3. In addition to Mr. McNamara, Dr. Sohn will be seeing Mr. Knapp, Mr. Chenery, and myself.
4. It looks as if Dr. Sohn might be particularly interested in Mr. McNamara's views on the reorganization and on the question of income distribution. He would also be interested to hear about Mr. McNamara's forthcoming visit to the Sudan, Somalia, Zambia, and Zaire.

*Mr. McNamara*OFFICE MEMORANDUM CONFIDENTIAL

TO: Files

DATE: October 24, 1972

FROM: John H. Adler

*JA**will come to see you at 12:10 pm on Oct 30*SUBJECT: Conversation with Dr. K.-H. Sohn, Secretary of State of the Ministry of Economic Cooperation and Dr. J. Jansen, German Ministry for Economic Cooperation

DECLASSIFIED

DEC 04 2012

WBG ARCHIVES

During my stay in Bonn, where I attended a Conference on Economic Development and Social Justice, Dr. Jansen asked me and Mr. J. Strobl of the Paris Office for dinner. He confirmed the invitation for lunch which I had received from Dr. Karl-Heinz Sohn, Secretary of State of the Ministry for Economic Cooperation. He told me that Dr. Sohn would press me for an indication of the amount of the 4th IDA replenishment which we had in mind, and urged me to "aim high." He also said that the German attitude toward IDA 4 would much depend on my ability to convince Dr. Sohn that a large IDA replenishment was essential, that Dr. Sohn and he would have to defend the Government's request for appropriation from the Bundestag (although technically the Ministry of Economy was responsible for the request) and that Dr. Sohn and he were coming to Washington at the end of October to discuss various matters, including the IDA replenishment with Mr. McNamara and Sir Denis Rickett (and to attend to some other business). He stressed that my discussion with Dr. Sohn was a "unique opportunity" to make a case for IDA which should not be missed.

When I started to develop the argument that as a result of inflation and GNP growth alone the annual amount of the 3rd Replenishment of \$870 million would have to be adjusted to approximately \$1,200 million, Dr. Jansen said point blank that we should ask for \$1,500 million, the amount which Pearson had recommended for 1975. He could not conceive of an increase in Bank lending from \$1,800-\$1,900 million at present to \$3,500 million by 1978 if such an increase were not at least matched by a proportionate increase in IDA commitments. An increase in Bank lending proportionately larger than IDA lending would be contrary to Mr. McNamara's stated objective of providing more aid for the poorest countries.

I then developed the idea that the amount of \$1,500 million recommended by Pearson would have to be now at least \$1,800 million if account were taken of inflation, GNP growth of Part I countries, and the dollar devaluation.

Dr. Jansen then referred to the visit in Bonn of Mr. R. Wood, the Minister of ODA (U.K.) and Mr. Douglas Williams, Under Secretary of ODA. He said that Mr. Williams, who did most of the talking, had told Mr. Eppler that the U.K. wanted a decrease in their share of IDA, that they hoped that the Germans would support them, but would resist any attempts by the U.S. Government to agree to a reduction in the U.S. share and obtain an offsetting increase in the German share. (N.B. This information is not quite in accordance with what we had learned about the discussion between Mr. Wood and Mr. Eppler from Julian Grenfell and conversations with Mr. Williams.)

I told Dr. Jansen that I could not think of any convincing argument in favor of a reduction in the U.S. share, but that the "facts of life" in the U.S. were such as to make a reduction in the U.S. share unavoidable and must be taken into account in any realistic planning of the 4th replenishment. I referred to the exchange between Senator Proxmire and Under Secretary Walker in the Senate Finance Committee where Senator Proxmire suggested a reduction to 25-30% and Mr. Walker agreed to a reduction, although without specifying its extent. I then mentioned a possibility of getting a substantial increase in the Japanese contribution and that we were thinking about the possibility of an increase from their present contribution of 6% to 12%. I added that in my opinion this presupposed also an increase in the German contribution to the same share.

Dr. Jansen questioned whether the Japanese authorities really were willing to double their contribution in view of their special interest in the Asian Development Bank, their commitment to the IDB and the expected Japanese increase in bilateral aid. He also referred to the difficulty of obtaining the very large appropriations which an increase in the German contributions to multilateral agencies, including the German contribution to FED, implied.

I pointed out the possibility that the budgetary appropriations could be much smaller than the German contribution to IDA's commitment authority because I did not expect any difficulties with an arrangement by which the German contribution could be spread over four, five or even more years, if it were continued to be made in cash. I also mentioned in this connection the possibility of having the 4th replenishment cover five instead of three years.

Dr. Jansen then reiterated his plea that we should make a strong case for a large IDA replenishment of at least \$1,500 million. He said his Ministry felt that the Bank Group was by far the most important and the most successful development institution and enjoyed strong political support in Germany, especially in view of Mr. McNamara's "new line" on social justice. Germany would much rather see a larger IDA replenishment than a larger increase in FED which was in effect a form of budget support for the French.

When I expressed my appreciation for the strong support for IDA which his Ministry was prepared to give and inquired rather cautiously whether this position was shared by the Ministry of Economy, Dr. Jansen informed me that a decision had been made to transfer responsibility for financial assistance from the Ministry of Economy to the Ministry for Economic Cooperation. He added that this decision was assured irrespective of the outcome of the elections since in the (according to him less likely) event that the CDU were to win the elections the Minister for Cooperation Designate, Walther Leisler Kiep, was even more sure of getting responsibility transferred than Eppler in the case of an SPD coalition victory.

Jansen also brought up the subject of the Link. He told me that he was responsible for following developments of the subject. When I said that as far as I knew Mr. Schleiminger, the German Executive Director in the Fund, had generally taken a negative position, he said that he and others in the German Government were convinced that the Link was inevitable. The only question which was still being discussed was the timing of a German endorsement of the Link. We also spoke then about the various forms which the Link might take; I mentioned specifically the idea advanced by some LDCs, which Germany appeared to have endorsed at UNCTAD, that the LDCs should obtain more SDRs directly. Jansen said that Germany definitely would be opposed to that form of the Link because the additional SDRs would just be frittered away, but would strongly favor an allocation of SDRs to IDA and the regional banks --as much as possible to IDA and as little as possible to the regional banks.

Jansen also mentioned that he has been offered the position of Alternate Executive Director of Germany and would probably take on the new assignment after next year's Annual Meeting.

During the lunch with Dr. Sohn two days later (October 19), it turned out that my discussion with Dr. Jansen had been a dry run of the conversation with Dr. Sohn. I had the impression that Dr. Jansen had briefed him about our previous discussion. Dr. Sohn identified himself fully with the strong position on IDA taken by Jansen. He added a note of warning only in one respect: The share of German ODA going to international institutions had already reached 28%--8% more than the Pearson target of 20%. This, he said, may bother the officials in charge of bilateral aid, including Mr. Hahnemann.

Only one other subject was discussed during the lunch. He had returned the night before from the DAC High Level meeting in Paris and indicated that his reaction to the proceedings there were quite negative, that the staff of DAC was a group of busybodies who had nothing to do and contributed little to the support of development. He said that if it had not been for the strong personality of Ambassador Martin, DAC would have ceased to function effectively. The only role which he could see for DAC in the future was that of coordination although even there he would prefer consultative groups to take the lead.

Dr. Sohn and Dr. Jansen will be in Washington on October 30 and 31. In their discussions with Mr. McNamara and Sir Denis Rickett they may not be quite as forceful and encouraging as they were in their discussions with me if these discussions take place in the presence of Dr. Stedtfeld whom they think of as a rather cautious and conservative Ministry of Economy man.

JHA/mwm

cc: Messrs. McNamara, Knapp, Sir Denis Rickett