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MR. BLACK - Trip to London, Paris -
May 1954



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Eugene Black - Mr. Black's trip to London, Paris - May 1954

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WORLD BANK STERLING

Heavy Demand for Textile Issue

BY OUR FINANCIAL STAFF

Mr Eugene Black, president of the World Bank, is in London on one of his customary visits to see representatives of the Treasury, the Bank of England, and City institutions. He has not, he says, come with any plan for freeing the pound. But there is no doubt that the future of sterling will be constantly in the background, for the bank has a sterling problem of its own. Early last year the bank was allotted £60 millions to utilise in development projects in the Commonwealth. Yet so far little of this sterling has been taken up by Commonwealth countries. India, with £5 millions, has been virtually the only recipient.

Two reasons are given for this. One is that Commonwealth countries can raise money much cheaper in London. The other is that the £60 millions cannot be lent to Colonies where sterling is the domestic currency. The first point is a sound one. Though the World Bank has been able to raise funds in New York this year at 3½ per cent and, in view of the rise in the bond market since January, could no doubt get money even cheaper now, borrowers still have to face a 1 per cent commission charge. The bank's lending rates of, say, 4½ per cent have to compare in fact with the 4 per cent or so which Colonial and Commonwealth borrowers have been paying for new capital in the London market. The validity of the other point is less easy to assess. According to the bank's articles it cannot lend a country its own domestic currency "except in exceptional circumstances." Whether this has prevented some of the sterling being lent to Colonial territories is not clear, though the escape clause would seem to apply to cases such as this.

But even if the fate of this £60 millions is still obscure, the World Bank has certainly been active in lending dollars to Commonwealth countries. So far the equivalent of \$500 millions has been lent to Commonwealth countries, which is about a quarter of the bank's total loans to date. Moreover, loans up to a further \$200 millions are currently being discussed within the Commonwealth. A first loan to Ceylon will shortly be arranged and loans to India and Pakistan are being prepared. As for the future the World Bank has lately been successful in getting New York banks to join it in some of its schemes and the success of the Sui gas project in Pakistan (where the Commonwealth Development Finance Company has co-operated with it) should provide the basis for talks in the City this week about similar co-operative efforts in other fields.

UNIT TRUST OFFER

The unit trust movement is gaining confidence. To-day details are pub-

lished of the largest issue since the unit trusts were allowed to raise fresh funds last July. The Bank Insurance Trust Corporation is offering 500,000 units for sale at 16s each net. The offer will be closed on or before next Tuesday, and at the issue price the units will yield just over 4½ per cent. The proceeds of the offer will be invested in bank and discount shares, insurance companies and investment trusts. In April the respective proportions were about 22 per cent, 24 per cent, and 54 per cent. The Bank Insurance Trust Corporation, though not the oldest unit trust company, is probably the largest, with a total of some £22 millions in trust.

This is not the first offer of units since the relaxation in July. In that month the Orthodox Unit Trust, which had not taken advantage of the ability to issue new units to a maximum of £50,000 each year, made available 190,000 units. It seems rather surprising that at a time when fresh money has been pouring into the stock market there have not been more offers of this kind.

In the letter which has been sent out with the prospectus, the Bank Insurance Trust refers to the astonishing success of this kind of trust in the United States which "has played an important part there in stimulating personal saving and providing risk capital." It seems that as far as this corporation, at least, is concerned, the drive for more widespread acceptance of unit trusts is to be developed, though it admits that unit trusts are only "one answer" to the problem of encouraging the small saver. The units, which can be bought through a bank or a stockbroker with a minimum of 20 units at a time, entitle holders to a half-yearly distribution. The cost of management, deducted every six months, is one-tenth of 1 per cent of the average value of the fund.

TEXTILE ISSUE SUCCESS

The issue of £1 million 6½ per cent preference shares in Cyril Lord, Ltd., the Lancashire textile manufacturers, has been highly successful. The application lists were open for no more than a minute yesterday morning and by last evening applications for over £12 millions had been received. Applications from the country had still to be counted. Since some £350,000 of the shares were firmly underwritten the balance of £650,000 was subscribed for over twenty times. This is not the best textile issue on the stock market since the war (applications for the English Sewing Cotton issue of £1 million debenture stock in November, 1948, amounted to £29.5 millions) but it must be one of the most successful textile preference issues for many years. The issue was sponsored by Mr Beddington Behrens, chairman of Ocean Trust. Allotments are expected to be ready to-morrow and dealings are likely to start on Monday.

THE NEW YORK TIMES
THE NEW YORK HERALD TRIBUNE
THE WALL STREET JOURNAL
THE NEW YORK JOURNAL OF COMMERCE

THE WASHINGTON POST
THE WASHINGTON STAR
THE TIMES HERALD
THE WASHINGTON NEWS

THE TIMES (LONDON)
THE FINANCIAL TIMES

MAY 22 1954

Banking and Finance

STERLING CAPITAL FOR NON-£ COUNTRIES?

By LOMBARD

No immediate results seem likely to flow from the three-day visit which Mr. Eugene Black, the president of the International Bank for Reconstruction and Development, paid to London this week for talks with British Ministers. It has been officially stated that these discussions ranged over all subjects touching upon the bank's relations with the U.K. But there can be little doubt that, as expected, the main question that came under examination was whether steps should be taken to speed up the use of Britain's local currency subscription to the bank's capital.

The overseas sterling area countries have so far shown little interest in the £60m. of such money which Britain agreed early in 1953 to release for backing loans by the bank to them—mainly because they can raise their sterling capital requirements on more attractive terms by coming straight to the London market. So Mr. Black has apparently urged that the British authorities should consent to these moneys being lent to the many countries outside the sterling area that would be glad to have them.

The U.S. and several other members of the World Bank have, of course, already given it permission to dispose of their local currency subscriptions to its capital in any loans it chooses. For reasons of prestige the British Government might like to follow suit. But it is not difficult to see that there are important objections to such a course.

INCREASED STRAIN

To begin with, when the £60m. was released for lending by the bank to sterling area countries, the British authorities were acting on the assumption that the net effect would not be to add to the strain imposed on the U.K.'s economy by financing overseas development. It was considered likely that, to the extent that these countries obtained their sterling capital development needs from the bank, they would borrow so much less heavily on the

London Capital market. But since non-sterling countries are not at present allowed access to the London Capital market, the effect of allowing them to draw on the World's Bank sterling supply would be to increase the pressure on Britain's economic resources.

Some quarters, of course, argue that the experience of the past year or so has indicated that this country could, in fact, undertake a certain amount of capital development activity outside the sterling area while fulfilling its obligations to sterling countries. But it can be argued—and with considerable force—that if the U.K. is now in a position to shoulder responsibilities of this sort, it should open the London Capital market to foreign countries rather than allow the World Bank to lend sterling for it. For one thing, the World Bank pays no interest on the local currencies it lends for its members, whereas money lent through the London Capital market would add to Britain's invisible income. For another, the ability to make credits available through the London market would undoubtedly strengthen Britain's bargaining position in economic relations with not a few foreign countries—in a way that sterling credits emanating from the World Bank would never do.

Thus, while the British authorities may show themselves willing to release sterling for backing World Bank loans to non-sterling countries in a few special cases—as they have done once or twice in the past—it seems unlikely that they will grant Mr. Black any general permission to commit these moneys in operations outside the sterling area.

Incidentally, comments made by Mr. Black at a Press conference held during his visit to London suggest that hopes that the recent talks between the World Bank and Argentina will eventually lead to the Argentines extending better treatment to British capital in that country should not be placed too high.

THE NEW YORK TIMES
THE NEW YORK HERALD TRIBUNE
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THE WASHINGTON POST
THE WASHINGTON STAR
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THE TIMES (LONDON)
THE FINANCIAL TIMES

MAY 19 1954

MR. EUGENE BLACK IN LONDON TALKS

Mr. Eugene Black, the president of the International Bank for Reconstruction and Development, began a three-day visit to London yesterday.

During his stay he is having talks with Mr. R. Maudling, Economic Secretary to the Treasury, and with Mr. R. A. Butler, Chancellor of the Exchequer. He will also visit financial institutions in the City.

It is expected that one of the main points he will discuss with British Ministers is the future use of the £60m. of Britain's local currency subscription to the Bank's capital, which the British authorities released for backing loans by the Bank to sterling area countries more than a year ago. So far, arrangements have been made to put to use only a few millions of this sum.

After leaving London, Mr. Black will travel to the Continent, where he will spend five days visiting France and Switzerland before he returns to Washington.

LOAN OFFER TO GREECE

ATHENS, May 18.

A letter from the Governor of the World Bank offering credits to Greece expresses the hope that progress will be made in negotiations for the settlement of Greece's foreign debt. This was announced here by the Minister of Co-ordination.

The letter said the bank was prepared to provide industrial credits and also part of the capital for one of the projects in Greece's rehabilitation programme. It proposed immediate negotiations to decide which project this should be.

Reuter.

THE NEW YORK TIMES
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FINANCIAL TIMES
LONDON

18. Mai 1954

Banking and Finance

WORLD BANK'S £'s

By LOMBARD

It is now 15 months since the British authorities announced their intention to allow the International Bank for Reconstruction and Development to put to use in financing development projects in sterling area countries £60m. of Britain's local currency subscription to the bank's capital. Up to now, however, arrangements have been announced for employing only £5m. of this sum—the whole of it in the form of a loan to India for paying for the erection of a steel plant and some other smaller projects. It seems certain, therefore, that there will be much to talk about when Mr. Eugene Black, the president of the World Bank, meets the Chancellor of the Exchequer and other U.K. Ministers during his three-day visit to London this week.

There is no doubt that proposals have been under consideration for utilising part of the sterling funds Britain has placed at the bank's disposal in connection with prospective advances by the bank to sterling countries in Africa and elsewhere. One reason why none of these schemes has as yet come to fruition is that a great deal of groundwork has to be covered before the negotiations for a loan by the bank can be completed. For instance, the bank usually insists upon being allowed to assure itself not only that the project it is being asked to finance is itself a sound one but also that the country that is receiving the money will be able to accommodate the resulting amortisation payments within its payments system. And that, more often than not, means on-the-spot surveys of a geographical and economic kind lasting many weeks and sometimes running into several months.

INTEREST FACTOR

This, however, is not the only factor that is slowing down the movement of sterling finance from the bank into sterling area projects. There is a good deal of evidence that much of the trouble is due to the fact that sterling area countries needing money for development work have an alternative to going to the bank—they can come straight to the London market. The disadvantage of taking the latter course is that they may have to take their turn in the queue with other intending borrowers in London, such as the U.K. municipalities and even the Treasury itself.

But as most capital development projects take time to mature, this may not be a very serious handicap. And against this disadvantage can

be set the fact that the sterling area country that comes to London for its capital development finance may, in present conditions, be able to do its business on more attractive terms than if it operated through the bank. For in the recent past the bank has been charging rates of about $4\frac{1}{2}$ to 4% per cent. for most of its loans (including a 1 per cent. commission charge). Yet sterling area Governments have been able to borrow in London at no more than 4 per cent. And it must be remembered that, as the bank insists that payment of interest and repayment of capital on all its advances must be guaranteed by the Government of the country to which the money is being advanced, the bank's loans are of equivalent status to loans to Governments even when the money is actually going to be spent by private concerns.

BANK'S CHARGES

If, therefore, the bank is going to be able to stimulate the demand from sterling countries for its sterling resources, it may have to find a way of bringing down its charges, especially now that the reduction in the U.K. Bank Rate has laid the basis for a further trimming of money costs in London. But since the bank's lending rates are to a large extent determined by the rates at which it can borrow, this may not be easy.

One possibility is that it may be decided to put a sizeable part of the bank's sterling resources to use in backing projects of the kind that could not easily raise their requirements in the London market. The recent announcement that arrangements are being made for a link-up between the World Bank, the Commonwealth Development Finance Company, the Burmah Oil Company and private investors in Pakistan in financing the Sui Gas project in that country may be of considerable significance in this respect.

Another possibility is that Mr. Black will press the U.K. authorities to allow him greater freedom in employing his surplus sterling for backing projects outside the sterling area itself. As access to the London capital market is at present restricted very largely to sterling area countries, there would be no danger of that market being able to undercut the bank in transactions of this kind. And, of course, there are plenty of countries outside the sterling area that would be anxious to get hold of additional sterling funds for backing their development schemes even at $4\frac{1}{2}$ or 4% per cent.

Mr. Holmes

Room 1124

From: "Le Soir"
Brussels

WORLD BANK ACTIVITY SEEN FROM LONDON

London. June 12. Mr. Eugene Black, President of the I.B.R.D., has just made a tour of inspection in England. He visited the British Ministers and big bankers who are among the principal stockholders of the International Bank.

(Then follows a history of the Bank.)

Most observers would say that the World Bank, the third leg of the tripod of international economic cooperation (the other two being I.M.F. and G.A.T.T.) has been the most active and efficient of the three. Mentioning the fears that the Bank at its inception would be too political in character, the article continues:

"It may be said that as far as the World Bank is concerned, these fears have been satisfactorily dissipated. Mr. Eugene Black, the President of the Bank, may be an American but he considers himself the head of an international team. Up to now, he has been able to keep the politicians perfectly in their place. Mr. Black makes no pretentious claims as to the essential character of his Bank. He believes it is filling a void which under present circumstances of political and financial stability in the world can only be filled by a semi-official organization of this nature."

(Follows an account of the financial structure of the Bank.)

"These loans on the whole represented the type of operation which was not of interest at that time to private investors. That is why the heads of the Bank consider it as an institution which in more fortunate and more normal times would have nothing to do, because the task it is prepared to perform would in that case be voluntarily carried out by private enterprise. As Mr. Black said during his visit to London - 'The best way for the Bank to prove the success of its work would be to retire'. "

(Follows mention of the purposes for which loans have been granted.)

"A very remarkable thing in the annals of the Bank is that it has not suffered a single loss so far. No payment of interest on the loans granted is in arrears. The only deviation from the program is that in one or two cases, repayments have been made ahead of time and loans have been cancelled before the expected maturity date. Some people might perhaps say there is no reason to congratulate one's self on this, - that it is rather a condemnation of the Bank for excessive caution.

Lord Keynes said that the World Bank was to be directed by a "band of adventurers". He meant by that that the IMF, dealing in short term banking loans, would have to be conservative to a degree but that if the Bank were to fulfil its role of making the desert flower and bringing new industries to the poorest countries

TRANSLATION SECTION

Translated From: French

By: C.A. 6/30/54

of the world, certain risks would have to be taken.

These risks were taken, but with a Wall Street commercial banker at the helm (Mr. Black won his stripes there). This taking of risks has been combined with the caution of the merchant and has been wholly successful up to now. This prudent policy has had many advantages. The most immediate was that the Bank has maintained its credit on the world markets and has been in a position to contract loans in New York, Canada and Great Britain on terms equal to the best that can be obtained on these markets. Still more important is the fact that the greatest contribution to world progress will be made thanks to a prudent loan system and thanks to the assistance proffered to the creation of industries which will withstand the test of time. If the Bank had proved to be heedlessly adventurous, it would certainly have been able to do more business but it would have rendered the cause for which it was founded far fewer services than it has."

* * *

Extrait du Journal : Le Soir

Adresse : Bruxelles

Date :

13 Juni 1954

L'activité de la Banque Mondiale vue de Londres

Londres, 12 juin.

① M. Eugène Black, président de la Banque Internationale pour la Reconstruction et le Développement (habituellement connue sous le nom de Banque Mondiale) vient d'effectuer une tournée d'inspection en Angleterre. Il a fait visite aux ministres britanniques et aux grands banquiers qui comptent parmi les principaux actionnaires de la Banque Mondiale.

La Banque Mondiale est l'une des deux fondations jumelles nées de la conférence de Bretton Woods en 1944. Ce fut à cette conférence que les représentants des puissances alliées commencèrent à dresser des plans pour la reconstruction économique du monde d'après guerre. On doit rendre hommage à l'esprit de foi et de prévoyance qui permit à quelques-unes des plus belles intelligences au service des Alliés, de consacrer tant d'attention aux problèmes qui allaient se poser dans le monde après la guerre, à une époque où la bataille faisait encore rage et où la victoire n'était encore qu'un espoir.

Parmi ces esprits subtils se trouvait Lord Keynes qui était alors attaché à la Trésorerie en qualité de conseiller du chancelier de l'Echiquier. Il concevait l'organisation des institutions internationales nécessaires pour restaurer et maintenir l'ordre économique dans le monde d'après guerre, d'après une triple structure : 1) il devait y avoir une institution qui instaurât un code de politique monétaire, plus flexible que l'ancien étalon-or, mais procurant néanmoins une discipline à laquelle se plieraient tous les pays importants du monde ; 2) il devait y avoir une institution similaire qui instaurât un code commercial qui serait respecté par toutes les nations commerçantes du monde ; 3) enfin il devait y avoir une institution qui mobilisât les ressources en capitaux des nations les plus opulentes pour les faire servir non seulement à la réparation des immenses dommages causés par la guerre, mais aussi à la création d'un monde plus riche et plus pacifique en développant les ressources naturelles des pays les moins développés. C'était un beau rêve et, à l'inverse de la plupart des rêves, il s'est réalisé en grande partie.

Le premier de ces projets prit forme sous le nom de Fonds Monétaire International, institution dont on entendra parler de plus en plus à mesure que les différentes monnaies du monde s'achemineront vers la convertibilité. Le F. M. I. contrôle les larges réserves qui seront mises à la disposition des pays désireux de stabiliser leur monnaie. Le code de politique commerciale sera du ressort de l'Organisation Internationale du Commerce. Celle-ci a été près de prendre naissance à la suite d'une interminable conférence tenue à La Havane en 1948 ; faute d'avoir pleinement réussi, il lui fut substitué un organisme excellent, bien que plus réduit, l'Accord Général sur le Commerce et les Tarifs douaniers, connu par tous et chacun sous le nom de G.A.T.T. (General Agreement on Tariffs and Trade), qui accomplit la plus grande partie de la tâche qui avait été prévue par l'O. I. C. Il y a enfin la Banque Mondiale, troisième support de ce trépied de coopération économique internationale. La plupart des observateurs diront que, des trois institutions, c'est celle-ci qui a, jusqu'à présent, été la plus active et la plus efficace.

③ réussite de son œuvre serait de se retirer des affaires.

Ces prêts totalisent plus de 1.800 millions de dollars et ils ont été largement répandus dans le monde. L'opération la plus importante fut l'octroi d'un crédit de 250 millions de dollars à la France. Des sommes ont été prêtées à l'Inde pour construire des chemins de fer, développer son énergie électrique, aider à créer une nouvelle industrie de l'acier. Plus de douze millions de dollars ont été avancés à l'Irak pour financer ses programmes d'irrigation et de lutte contre les inondations. L'Amérique latine, l'Afrique et l'Australie ont aussi emprunté des montants importants à la Banque Mondiale.

Chose très remarquable dans les annales de la banque, elle n'a pas subi une seule perte jusqu'à présent. Aucun paiement d'intérêt sur les prêts consentis n'est en retard. La seule déviation au programme réside dans le fait que, dans un ou deux cas, des remboursements ont été faits anticipativement et des emprunts ont été apurés avant l'échéance prévue. Certaines gens pourraient peut-être dire qu'il n'y a pas lieu de s'en féliciter, et que ce fait serait plutôt une condamnation de la banque pour excès de prudence.

Lorsque Lord Keynes parlait du genre de direction que devraient avoir les deux institutions de Bretton Woods, il disait volontiers que le Fonds Monétaire devrait être mené par de sévères banquiers, mais que la Banque Mondiale devrait être dirigée par une bande d'aventuriers.

Il entendait par là que le F. M. I., qui engage à court terme des opérations bancaires devrait, dans une certaine mesure, être conservateur, mais que si la banque devait remplir son rôle consistant à faire fleurir le désert et à apporter de nouvelles industries aux pays les plus pauvres du monde, certains risques devraient être pris.

Ces risques furent pris. Mais avec un banquier commercial de Wall Street au gouvernail (M. Black a conquis ses galons dans une banque de la place), cette prise de risques s'est combinée avec la prudence du commerçant et cela avec plein succès jusqu'à présent. Cette politique prudente a eu de nombreux avantages. Le plus immédiat fut que la banque a maintenu son crédit sur les marchés du monde, et a été à même de contracter des emprunts à New York, au Canada et en Grande-Bretagne, à des conditions équivalant aux meilleures qui pussent être obtenues sur ces marchés. Plus important encore est le fait que la plus grande contribution au progrès mondial sera faite grâce à un prudent système de prêts et grâce à l'aide apportée à la création d'industries qui résisteront à l'épreuve du temps. Si la banque s'était montrée aventureuse inconsidérément, elle aurait certainement pu faire plus d'affaires, mais elle aurait rendu à la cause pour laquelle elle a été fondée bien moins de services que ceux dont elle peut se prévaloir.

LYNCEUS.

(Droits réservés « Soir » et « Economist ».)

③ Quand les deux institutions de Bretton Woods — le Fonds Monétaire International et la Banque Mondiale — furent fondées en 1946, des doutes sérieux s'élevèrent à leur sujet et cela, même parmi certains experts qui avaient pris une part active à leur création. Ces doutes étaient centrés principalement sur le soupçon que ces institutions étaient de caractère trop politique, que trop de pouvoir était donné aux directeurs exécutifs, qui étaient et sont les représentants de leurs gouvernements, et trop peu à l'équipe dirigeante permanente dont les membres peuvent être considérés comme des agents civils internationaux ne relevant que de leur institution. Le fait que le Fonds et la Banque étaient tous deux établis à Washington, capitale politique, mais qu'aucun effort d'imagination ne peut permettre de regarder comme un centre financier, semblait devoir justifier ces hésitations et suspicions.

On peut dire qu'en ce qui concerne la Banque Mondiale, ces doutes ont été dissipés de manière satisfaisante. M. Eugène Black, le président de la Banque, peut être Américain, mais il se considère comme le chef d'une équipe internationale. Jusque maintenant il a su maintenir parfaitement à leur place les hommes politiques de son comité.

M. Black n'a nulle prétention quant au caractère essentiel de sa banque. Il estime qu'elle supprime un vide qui, dans les circonstances présentes d'instabilité politique et financière du monde, ne peut être comblé que par une organisation semi-officielle de ce genre. La banque dispose de ressources s'élevant approximativement à huit milliards de dollars et composées par un assortiment varié de devises de ses divers pays membres. Plus de trois milliards de dollars de ces ressources ont été souscrits en dollars ou autres monnaies dures. Une partie de ce capital a été employée à consentir des prêts à plus de 25 pays membres de la banque.

Ces prêts, dans l'ensemble, représentaient le genre d'opération qui n'intéresserait pas en ce moment les bailleurs de fonds privés. C'est pourquoi la banque est considérée par ses dirigeants comme une institution qui, en des temps plus heureux et plus normaux, n'aurait rien à faire parce que la tâche qu'elle se tient prête à remplir serait, dans ce cas, accomplie volontairement par l'entreprise privée. Comme le disait M. Black au cours de sa visite à Londres, « la meilleure façon pour la banque de prouver la

Mr. Holmes

Room 1124

From: "L'ANTENNE", Marseille
May 22, 1954

CONVERTIBILITY BECOMES MORE ACUTE AS BLACK ARRIVES IN LONDON

With Mr. Black's arrival in London, the problem of European convertibility has entered into an active phase.

It is believed in the City that Black's visit to London and other West European capitals is for the purpose of preparing for the annual meeting of Bank and Fund to be held in September in Washington. This meeting promises to be decisive as to the date and conditions of convertibility. Mr. Butler, who had in the past somewhat boycotted the Bretton Woods institutions, is to attend this year's meeting.

The I.B.R.D., unlike the I.M.F., is not called upon to play a leading role in convertibility, but it is vitally interested. Mr. Black will try to find out what type of convertibility Great Britain has in mind. Does she intend to limit exchange freedom to current transactions only or extend it to capital transfers?

In the first case, Mr. Black will be deeply disappointed, because it would mean that the Bank's Sterling loan operations will continue to be restricted. It is known that last year, Great Britain authorized the Bank to use £60 million for operations in the Commonwealth. In other words, these pounds will remain inconvertible. So far, only a fraction of this sum has been used by the Bank.

Another question of interest to Mr. Black is the future of Sterling parity. Recently, rumours were circulating in London and abroad that Great Britain intended to revalue the pound in relation to the dollar by establishing wider margins within which it could fluctuate on the open market. Mr. Butler denied this before the House of Commons. On the other hand, the City is well aware that the British plan with regard to Sterling convertibility involves the elimination of the official exchange rate, at least temporarily, until it can find its own level according to the laws of supply and demand.

Germany, which has recently agreed to proceed hand in hand with Great Britain in matters of convertibility, seems opposed to a flexible exchange rate. Likewise, the United States is believed to be favorable to maintaining fixed parities. The World Bank, on the other hand, would like to see the pound freed over a period of transition; this idea is favored by Mr. Erhard, German Minister of Economic Affairs. All these questions will be thoroughly discussed between now and September.

In addition to Germany, Switzerland, Belgium, Holland and Denmark are almost certain to go along with the British.

France and Italy present a question mark. Italy's foreign finances have greatly deteriorated during the last few months, especially within the European clearing system. France is also a debtor of E.P.U., but thanks to American aid, her dollar position is very solid and it is believed in London that there is a widely held opinion in France that the maintenance of exchange controls in no way

TRANSLATION SECTION

Translated From: French

By: A.B. 6/14/54

prevents the flight of capital while the abolition thereof is likely to favor capital repatriation.

However, the margin between French and foreign prices would be an obstacle which, according to the Financial Times, could only be overcome if the parity of the franc is changed before the franc becomes convertible.

* * *

Mr. Holmes

Room 1124

From: "L'ANTENNE", Marseille
May 22, 1954

CONVERTIBILITY BECOMES MORE ACUTE AS BLACK ARRIVES IN LONDON

With Mr. Black's arrival in London, the problem of European convertibility has entered into an active phase.

It is believed in the City that Black's visit to London and other West European capitals is for the purpose of preparing for the annual meeting of Bank and Fund to be held in September in Washington. This meeting promises to be decisive as to the date and conditions of convertibility. Mr. Butler, who had in the past somewhat boycotted the Bretton Woods institutions, is to attend this year's meeting.

The I.B.R.D., unlike the I.M.F., is not called upon to play a leading role in convertibility, but it is vitally interested. Mr. Black will try to find out what type of convertibility Great Britain has in mind. Does she intend to limit exchange freedom to current transactions only or extend it to capital transfers?

In the first case, Mr. Black will be deeply disappointed, because it would mean that the Bank's Sterling loan operations will continue to be restricted. It is known that last year, Great Britain authorized the Bank to use £60 million for operations in the Commonwealth. In other words, these pounds will remain inconvertible. So far, only a fraction of this sum has been used by the Bank.

Another question of interest to Mr. Black is the future of Sterling parity. Recently, rumours were circulating in London and abroad that Great Britain intended to revalue the pound in relation to the dollar by establishing wider margins within which it could fluctuate on the open market. Mr. Butler denied this before the House of Commons. On the other hand, the City is well aware that the British plan with regard to Sterling convertibility involves the elimination of the official exchange rate, at least temporarily, until it can find its own level according to the laws of supply and demand.

Germany, which has recently agreed to proceed hand in hand with Great Britain in matters of convertibility, seems opposed to a flexible exchange rate. Likewise, the United States is believed to be favorable to maintaining fixed parities. The World Bank, on the other hand, would like to see the pound freed over a period of transition; this idea is favored by Mr. Erhard, German Minister of Economic Affairs. All these questions will be thoroughly discussed between now and September.

In addition to Germany, Switzerland, Belgium, Holland and Denmark are almost certain to go along with the British.

France and Italy present a question mark. Italy's foreign finances have greatly deteriorated during the last few months, especially within the European clearing system. France is also a debtor of E.P.U., but thanks to American aid, her dollar position is very solid and it is believed in London that there is a widely held opinion in France that the maintenance of exchange controls in no way

TRANSLATION SECTION

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prevents the flight of capital while the abolition thereof is likely to favor capital repatriation.

However, the margin between French and foreign prices would be an obstacle which, according to the Financial Times, could only be overcome if the parity of the franc is changed before the franc becomes convertible.

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Extrait du Journal: L'Antenne
Marseille

22 Mai 1954

LA QUESTION DE LA CONVERTIBILITE MONETAIRE SE POSE AVEC ACUTE

DEPUIS L'ARRIVEE A LONDRES DU PRESIDENT
DE LA B.I.R.D.

LONDRES (C.P.). — Avec l'arrivée à Londres de M. Eugène Black, président de la Banque Internationale pour la Reconstruction et le Développement, la question de la convertibilité monétaire en Europe est entrée dans une phase active.

L'opinion prévaut maintenant dans les milieux de la City que la visite de M. Black à Londres et dans les autres principaux centres de l'Europe Occidentale pendant les prochains jours a essentiellement pour but de préparer la réunion annuelle des gouverneurs de la B.I.R.D. et du Fonds Monétaire International qui va se dérouler cette année à Washington en septembre. Cette réunion risque d'être décisive quant à la date et aux conditions auxquelles l'opération s'effectuera. Le grand Argentiers britannique, M. Richard Butler, qui avait jusqu'ici boycotté en quelque sorte les institutions de Bretton Woods (ces deux dernières années il y avait toujours délégué l'un de ses adjoints), y assistera cette année en personne. On attache donc dans les milieux bien informés la plus grande importance à cet événement.

La B.I.R.D. n'est pas appelée à jouer, comme le F.M.I. un rôle direct dans l'opération, mais elle y est intéressée au premier chef. M. Black s'efforce d'apprendre à Londres quel genre de convertibilité est envisagé par la Grande-Bretagne. S'agit-il, comme on le croit généralement, de limiter le retour à la liberté des changes aux seules transactions courantes ou également sur les mouvements de capitaux ?

Dans le premier cas, M. Black sera profondément déçu, puisque cela signifiera que les opérations de prêts en sterling de la B.I.R.D. resteront restreintes comme par le passé. On sait que l'année dernière, la Grande-Bretagne a autorisé la Banque Internationale à utiliser 60 millions de livres de la souscription britannique en vue d'opérations dans le Commonwealth. En d'autres termes, ces livres resteront « inconvertibles ». Jusqu'ici une fraction seulement de cette somme fut utilisée par la B.I.R.D.

Une autre question qui intéresse M. Black est l'avenir de la parité de la livre. Le bruit avait récemment couru à Londres et à l'étranger, que la Grande-Bretagne envisageait de revaloriser la livre par rapport au dollar en élargissant les marges à l'intérieur desquelles la livre peut fluctuer au marché libre des changes. M. Butler a démenti ce bruit personnellement dans une déclaration récente à la Chambre des Communes. En revanche, il est bien connu dans la City, que le projet britannique sur la convertibilité de la livre comporte la suppression du taux de change officiel de la monnaie britannique tout au moins provisoirement jusqu'à ce qu'elle puisse retrouver sa valeur réelle sur le marché conformément à la loi de la demande et de l'offre.

L'Allemagne, qui s'est récemment mise d'accord avec la Grande-Bretagne pour « marcher ensemble » sur la question de la convertibilité, semble opposée au taux de change flexible. Les Etats-Unis seraient également favorables au maintien

des parités fixes. La B.I.R.D. par contre, serait pour la « libération » de la livre pendant la période transitoire, thèse favorisée également par le professeur Erhard, ministre allemand des affaires économiques, dans ses déclarations faites hier à Bonn. Toutes ces questions seront débattues à fond, d'ici septembre prochain.

En dehors de l'Allemagne, la Suisse, la Belgique, la Hollande et le Danemark sont à peu près certains de marcher avec la Grande-Bretagne.

La France et l'Italie posent un point d'interrogation. Ce dernier pays a vu ses finances extérieures s'aggraver sensiblement ces derniers mois, notamment au sein du clearing européen. La France reste également déficitaire à l'U.E.P., mais grâce à l'aide américaine, sa position dollar est extrêmement solide et l'on croit à Londres qu'il existe un courant d'opinion largement répandu en France, que le maintien des contrôles des changes n'empêche en rien la fuite des capitaux, tandis que leur abolition est susceptible de favoriser leur rapatriement.

Mais l'écart entre les prix français et étrangers constituerait un obstacle et selon le Financial Times ne pourrait être surmonté que si la parité du franc est modifiée avant que celui-ci ne redevienne convertible.

Mr. Holmes

Room 1124

From: "Aargauer Volksblatt", Baden
May 25, 1954

WORLD BANK DISCUSSIONS IN ST. GALLEN

This item deals with Mr. Ivar Rooth's lecture in St. Gallen, in which he also spoke on the Bank. In this connection, the editor adds a comment of his own concerning Umbricht who "is at present employed in a responsible position" by the Bank.

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From "L'INFORMATION", Paris
May 21, 1954

MR. BLACK'S TRIP TO LONDON

While in London, Mr. Black declared that the World Bank would have been pleased to see further sterling releases of Great Britain's 18%, because the Bank has no available sterling for loans outside the sterling zone. However, it does not seem as if Great Britain had the intention of modifying its policy.

Mr. Black also remarked that the Bank was obligated under its Statutes to charge 1% per annum on all its loans to strengthen its reserves, which makes the charge higher than on loans contracted in the sterling zone. However, since this surcharge had been introduced for a period of ten years, it will not apply two or three years hence.

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TRANSLATION SECTION

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French

By: A.B. 6/11/54

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Extrait du Journal: Der Freie Rätler
Chur

Black - London

20. Mai 1954

Europäer, aufgetragen werden können.

Der Präsident der Weltbank in London
(AFP) Der Präsident der Weltbank für den Wiederaufbau, Eugen Black, traf am Dienstag in London ein. Er wird während drei Tagen mit Schatzkanzler Butler und mit Reginald Maudling, wirtschaftlicher Sekretär des Schatzamtes, Besprechungen führen. Black wird auch mit den Leitern der Bank von England zusammenkommen.

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24. Mai 1954

Paris Presse, Paris

Le 22 mai 1954

**UN JOUR DE
LA FRANCE**

M. EDGAR FAURE, MINISTRE des Finances et des Affaires économiques, a offert aujourd'hui un déjeuner en l'honneur de M. Eugène Black, président de la Banque internationale pour la Reconstruction et le Développement économique (B.I.R.D.E.), qui était accompagné de M. Walter Hill, représentant de la banque en France.

*Black
lunch
guest of
French
Minister
of Finance*



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Black in London

**DIE TAT
ZÜRICH**

20. Mai 1954

Weltbank-Präsident in London

2050
London. (AFP) Der Präsident der Weltbank für den Wiederaufbau, *Eugen Black*, traf am Dienstag in London ein. Er wird während drei Tagen mit Schatzkanzler *Butler* und mit *Reginald Maudling*, wirtschaftlicher Sekretär des Schatzamtes, Besprechungen führen. *Black* wird auch mit den Leitern der Bank von England zusammenkommen. (Die Besprechungen dürften zweifellos mit den englischen Plänen der Rückkehr zur Konvertibilität des Pfundes in Zusammenhang stehen. Red.)



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21. Mai 1954

**L'INFORMATION
PARIS**

Le voyage de M. Eugen BLACK à Londres

2050
LONDRES. — Au cours de son passage à Londres, M. Eugen Black, président de la Banque Internationale (B.I.R.D.), a déclaré que cet organisme aurait été heureux de voir « libéraliser » la souscription sterling de la Grande-Bretagne au capital de la Banque, car celle-ci ne dispose pas de cette devise pour effectuer des prêts en dehors de la zone sterling. Il n'apparaît pas, cependant, que la Grande-Bretagne ait l'intention de modifier sa politique.

M. Black a également fait remarquer que la Banque était dans l'obligation statutaire de prélever 1 % par an supplémentaire pour renforcer ses réserves sur tous les emprunts qu'elle consentait, ce qui en rendait la charge plus élevée que pour les emprunts souscrits dans la zone sterling. Toutefois, comme cette charge extraordinaire avait été décidée pour une période de dix ans, elle ne sera plus applicable d'ici deux ou trois ans.

