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McNamara Papers

*Contacts
Finland (1968-1980)*

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Contacts with member countries: Finland - Correspondence 01

FINLAND

FINLAND

- 4/26-28/68
(Mont Tremblant
Conference)
- Johan Nykopp, Former Ambassador, President, Tampella, Tampere
Finland
1. 10/1/68
- Jussi Linnamo, Minister without Portfolio (temporary Governor)
Jaakko Lassila, Managing Director, Industrialization Fund of Finland
- 5/9-11/69
(Bilderberg)
- Johan Nykopp, Managing Director, Tampella Ltd.
- 5/20-22/70
(Paris)
- Representatives and Observers at OECD Meeting:
Vaino Leskinen, Minister for Foreign Affairs
Ralph Enckell, Head of the Permanent Delegation
Erik Tornqvist, Deputy Under Secretary, Ministry of Finance
Osmo Lares, Assistant Under Secretary, Ministry for Foreign Affairs
Timo Helela, Director, Bank of Finland
Erkki Laatto, Director, Economic Planning Centre
A-K. Hamalainen, Head of Department, Ministry for Foreign Affairs
Jaakko Iloniemi, Head of Department, Ministry for Foreign Affairs
- Permanent Delegation: Erik Heinrichs
Kari Walden
Arhi Palosuo
- 12/18/70
- Lunch at the Finnish Embassy
2. 9/29/71
- Sir Denis Rickett's meeting with the Finnish Delegation
- 12/3/71
- J. Illioniem, Chief of Bureau for Technical Assistance, Ministry of
Foreign Affairs
Martti Manninen, Attache, Embassy of Finland
(Meeting of the Consultative Group on International Agricultural
Research)
3. 6/1/72
- Erik Tornqvist, Executive Director
- 4/25-27/75
(Cesme,
Turkey)
- Bilderberg:
Max Jakobson, Finland's Industriforbund, Delegationen for
Naringslivet - Helsinki
- 11/22/77
- Max Jakobson, Council of Economic Organizations
- 5/18/73
- Mr. Jaakko Iloniemi, Ambassador of Finland
Mr. Eero Rantala, Minister of Trade and Industry
(dinner at Embassy)
4. 5/4/79
- Mrs. Anniki Saarela, Governor, Central Bank
Ambassador Iloniemi
5. 9/30/79
Belgrade
- Mrs. Pirkko Tyolajarvi, 2nd Minister of Finance
Mrs. Anniki Saarela, Governor, Central Bank
Mr. Lindstrom
6. 5/13/80
- Mr. Rekola, Minister of Foreign Trade
Mrs. Anniki Saarela, Governor, Central Bank
Mr. Lundstrom
Mr. Uusivirta, Member, Bd of Management, Bank of Finland

FINLAND

4/24/81

Mrs. Anniki Saarela, Governor, Central Bank
Mr. Poulsen, Alt. ED



*Mr. McNamara - to see, please.
10/10/68*

OFFICE MEMORANDUM

TO: Files

FROM: Norman Horsley

SUBJECT: Mr. McNamara's Meeting with the Finnish
Delegation to the Annual Meeting

DATE: October 14, 1968

Members of the Finnish Delegation to the Annual Meeting met with Mr. McNamara at the Sheraton Park Hotel on October 1, 1968. Representing Finland were:

Mr. Jussi Linnamo, Minister without Portfolio (Temporary Governor)
Mr. Jaakko Lassila, Managing Director, Industrialization Fund of
Finland (Adviser)

Mr. Horsley attended the meeting.

The Minister spoke of Finland's urgent need to diversify its industrial structure by expanding as rapidly as possible in the metal-working and other labour intensive manufacturing industries. He said that although the traditional industries demanded considerable resources for their financing, domestic savings were adequate both for this and for diversification. On the other hand, Finland's foreign exchange resources were not adequate. In Finland's circumstances, which included a small domestic market, there were not too many opportunities for effecting changes in the industrial structure. However, since devaluation, Finnish industry had become quite competitive in export markets, and additional external financial resources were now necessary to continue with industrial development. Such resources would be channeled through the Industrialization Fund of Finland (IFF).

Mr. Lassila added that a proposal for a third Bank loan to IFF was under active consideration. Mr. McNamara inquired about IFF's remaining lending capacity; Mr. Lassila replied that IFF's foreign exchange resources had been fully committed early this year, and emphasized the need for new foreign exchange resources. In response to a further inquiry from Mr. McNamara, Mr. Lassila said that IFF's loans had been increasing in size from an average level of Fmk 300,000 to Fmk 500,000 in 1967, and the average was now higher still.

Mr. Horsley reported that the proposed loan now under consideration would be for \$20 million which would meet IFF's foreign exchange needs in the two years 1969 and 1970; it was expected that the loan would be negotiated in late November.

cc. Messrs. Cope, Fontein, Karasz,
van der Mel, Steckhan
Gustafson, Guillot-Lageat

NH:es

MEMORANDUM FOR THE RECORD

SUBJECT: Finland

I spoke to Mr. Kalliala this morning and said that we had noticed that Finland had not yet taken any action to make the additional subscription to the Bank's capital to which it was entitled. We would like them to take up their entitlement to pay in 1% of the total immediately and release the 9% portion as soon as possible thereafter.

Mr. Kalliala said that he would look into this matter as soon as he got back to Finland and would send me a message through Mr. Tornqvist. He did not see why it should cause them any difficulty.



D. H. F. Rickett
September 29, 1971

cc: Mr. Tornqvist
Mr. Knapp
Mr. Cope
Mr. Adler

Memorandum for the Record

Discussions with Part I Members - Nordic Countries

Mr. McNamara had a discussion with Mr. Tornqvist on Thursday, June 1st, at 2:30 p.m. on the subject of a further meeting of representatives of IDA Part I member countries. Mr. Knapp and I were also present.

2. Mr. Tornqvist said that during his recent visit to his capitals there had been considerable pressure to know when a further meeting would be held of representatives of IDA Part I member countries. The Swedish Government was particularly insistent on this point. Mr. Krister Wickman, the Foreign Minister, thought that there were a number of questions of policy which needed to be discussed, including the following:-

(i) Whatever the policy pursued by the Bank, IDA should not withhold soft credits from the poorest countries because of disputes about the nationalization of foreign investments.

(ii) The granting of IDA credits should not be used as a means to put pressure on countries to make changes in the rate structure of their public utilities. Much careful study was needed before any attempt was made to interfere in the national policies of the developing countries. It was necessary to work out the effects of such changes on the whole social and economic structure.

(iii) There was a more general question of the extent to which it was right to interfere in national policies. This was contrary to the prevailing philosophy in Sweden. Mr. Tornqvist agreed that the Swedish Government had not followed this principle in the case of Ethiopia but this example was not typical and the Swedish Government was not proud of it. This was a matter on which Swedish policy was developing and a code of conduct was being evolved with the approval of Parliament.

(iv) The Swedish Government thought that there should be differences in the policies pursued by the Bank and by IDA respectively. Indeed, they thought that there was a danger that IDA would lose support if they followed exactly the same policies as the Bank. The Bank relied on market funds and not on appropriations by governments. If IDA policies lost Parliamentary support in the Part I countries there was a risk that they would divert funds to the regional banks who were very anxious to increase their soft lending operations. This might not be very logical since the policies of the regional banks were certainly not as liberal as those of IDA, but we had to take account of emotional reactions.

(v) Governments needed much more information about the allocation of funds for FY72, not merely in terms of broad allocations to big countries. The Nordic Governments wished to advocate larger allocations to the least-developed countries. The IDA Management should give a better exposition of the lending criteria which they adopted and there should be opportunity to discuss these. The Nordic Governments realized that these policies were not likely to be changed but wished to be able to tell their Parliaments that they had put forward their views, on such questions as the withholding of IDA funds to countries where the average income per head exceeded \$300. Why should not IDA credits be given even to higher income countries if they were earmarked for use in the poorest regions or for projects which the government might not otherwise be willing to carry out?

(vi) Local cost financing was another issue upon which further discussion was desirable.

(vii) What would be the effect on the Third Replenishment of the delay in the U.S. ratification? What was the meaning of the proposal to reduce the U.S. share in future replenishments? What would be the effect on IDA's commitment authority of the maintenance of value obligation?

Mr. Tornqvist said that if a meeting of this kind could be held, he would ask high level representatives to attend from capitals, e.g. Mr. Klackenborg from Sweden, Mr. Kastoft from Denmark, Mr. Hedeman from Norway, and Mr. Wihtol from Finland. (He did not mention Iceland.) They would certainly hope that Mr. McNamara would himself preside over the meeting so that they might express their views to him.

3. Mr. McNamara, commenting on some of these points, said that he would have expected the Nordic countries who favored a more equal distribution of income to support changes in public utility tariffs which could, if necessary, be discriminatory and would result in charges which were more progressive in their incidence. He did not think that IDA's policies should necessarily be the same as those of the Bank. The primary consideration was that IDA should behave in the interests of the developing countries. The Bank however, no less than IDA, needed the support of public opinion in the developed countries who had subscribed a large part of the Bank's capital.

4. His general comment on Mr. Tornqvist's suggestion was that many of the issues to which he had referred raised sharp divisions of opinion between the member countries of IDA. Was anything to be gained by exposing these differences in an open confrontation between representatives of Part I countries? On nationalization, for example, was there the slightest possibility that agreement could be reached on any modification of the present policy or would a common view be likely to emerge, e.g. on local cost financing? On all these topics the Bank Group Management at present tried to follow a course which would satisfy a majority of the member countries but he was not anxious to create opportunities for discussion of them between representatives of member countries. Would it help to meet the views of the Nordic countries if the general character of meetings of Part I country representatives remained unchanged but ample time was given for the expression of views on the sort of questions Mr. Tornqvist had mentioned, not necessarily on the basis of papers circulated by the Staff and without necessarily seeking to reach an agreed conclusion?

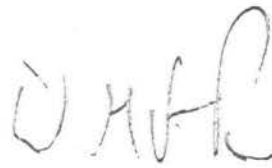
5. Mr. Knapp said that there were strong arguments against discussions in a section of the Board. Meetings of Part I country representatives who might not even be Executive Directors were bound to arouse suspicion amongst the Executive Directors of the Part II countries. Might not the Nordic countries wish to send a high level delegation to Washington for discussions with Mr. McNamara? He recognized that Mr. Tornqvist was the spokesman of these countries but his suggestion was simply that the four representatives whom Mr. Tornqvist had mentioned as being likely to attend a meeting of the Part I countries might discuss some of these questions privately with Mr. McNamara.

6. Mr. Tornqvist at first suggested that there might be other Part I governments who would wish to have these questions discussed and thought it important to prevent any dissatisfaction with IDA policies from building up which might prejudice the prospects for a Fourth Replenishment of IDA.

7. Mr. McNamara agreed. He suggested that those taking part in this conversation might meet with representatives of the Nordic countries either in Washington or in one of the capitals.

8. Mr. Tornqvist said that if it was intended to hold a meeting of Part I country representatives in Washington three to four weeks after the effective date of the Third Replenishment, the Nordic country representatives attending the meeting might come a day in advance and have a separate meeting with Mr. McNamara such as he had suggested.

9. It was left that Mr. Tornqvist would cable this suggestion to his governments and that Mr. McNamara would be ready to discuss it with them, if necessary, during the Stockholm Conference.



D. H. F. Rickett
Vice President
June 1, 1972

OFFICE OF THE PRESIDENT

Meeting with Mrs. Anniki Saarela, Governor, Central Bank of Finland, May 4, 1979

Present: Mr. McNamara, Mrs. Saarela, Ambassador Iloniemi, Mr. Arsaellsson

Mrs. Saarela addressed two issues: (i) the need for more emphasis on Bank recruitment in Finland, and (ii) the possibility of Nordic countries losing their seat on the Board.

As to (ii), Mr. McNamara said that this was no problem to worry about. He had stated to the Board that he wanted to protect the two Latin American and two sub-Saharan African seats. As a result of that, some countries were concerned that, if at the same time an Arab seat were desirable and the Bank wanted to hold to a total of 20 seats, they might lose their seat. For example, the Australian Government had expressed that concern. However, he was more inclined to go to 21 seats rather than dropping a seat which presently existed. A more important issue as to the Nordic countries was the frequent criticism of the Bank which needed to be refuted. In the U.S., attacks on the Bank came from the right; in the Nordic countries they came from the left. Mrs. Saarela argued that, in recent years, criticism of the Bank had been much less vocal.

Mrs. Saarela said that, with increasing Bank lending volumes, a more continuous review of the Bank would probably be requested by Finnish authorities including Parliament. U.S. Congressional criticism of the Bank might contribute to that.

Mr. McNamara reported on progress made under the Bank's poverty-directed programs. Sixty million people will benefit from the work undertaken so far. Mrs. Saarela pointed to the importance of telling the public that story; such evidence was required for the internal debate in the Nordic countries.

CKW
June 4, 1979

OFFICE OF THE PRESIDENT

Meeting with Mrs. Tyolajarvi, Minister in the Finnish Ministry of Finance,
Belgrade, September 30, 1979

Present: Mr. McNamara, Mrs. Tyolajarvi, Mrs. Saarela, Messrs. Lindstrom, Cargill

Mrs. Tyolajarvi pointed to the fact that Finland was presently the only Nordic country with a stable government. Mr. McNamara replied that he was grateful for Finland's support to the IDA VI replenishment. He hoped that the Finnish Government could stimulate the other Nordic countries also to lend their strong support to IDA. He then explained the difficulties faced by the present IDA VI negotiations; the replenishment level of \$12-\$12.5 billion could probably be obtained but it was difficult to achieve 100% in terms of donor contributions.

Mrs. Tyolajarvi said that she had not yet had the opportunity to discuss Bank matters with her Nordic colleagues; however, she knew that the Bank lending criteria question was very much on the minds of all Nordic governments. Mr. McNamara replied that IDA's record was the best of all international programs in terms of directing its lending at the poorest target groups, both in terms of concentration on the poorest countries and on the poorest segments of society within those countries. Mrs. Tyolajarvi said that the Finnish Parliament paid a great deal of attention to the issue of directing development aid to the poorest sections of developing societies.

Mr. McNamara emphasized the critical importance of the support lent to the Bank by the Nordic countries; it was sad that there had been misunderstandings between the Bank and the Nordic Governments in the past and that Sweden was at the present moment of crisis reducing its IDA share.

Mrs. Tyolajarvi announced that her Government had voted yesterday on the General Capital Increase. Mr. McNamara said that this was very helpful, particularly in view of the difficulties faced in the case of the U.S., where a fragmented Congress stood in the way of Government decision-making.

Mr. McNamara encouraged the Nordic countries to give their advice at any time as to how to improve on the Bank's policies. The next few years would be very difficult for the developing countries because of the large oil price increases and declining growth rates of the OECD nations.

Finally, Mr. McNamara urged that the Nordic countries consider whether they could make a special one-time contribution to IDA VI. Otherwise, the 100% financing of the replenishment probably could not be obtained. He hoped that the Dubrovnik meeting would result in a long step towards a solution. Mrs. Tyolajarvi promised consideration of Mr. McNamara's request but also stated that it was embarrassing to be still waiting for the U.S. Government to pledge its contribution.

cc: Mr. Cargill
Mr. Gabriel

CKW
October 19, 1979

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OFFICE OF THE PRESIDENT

Meeting with Mr. Rekola, Minister of Foreign Trade, Finland, May 13, 1980

Present: Messrs. McNamara, Rekola, Uusivirta (Member of Board of Management, Central Bank of Finland), Lundstrom and Mrs. Saarela

The meeting discussed the need for increased lending of the international financial institutions, the Bank's new policy of structural adjustment lending, the change of representation of China in the Bank and the problems of finding additional sources of finance for the China program. Mr. McNamara emphasized that, after assuring IDA VI and GCI legislation, the Bank would consider a change in IBRD's gearing ratio, following the recommendation of the Brandt Commission. This would be a controversial step and the Bank needed Finland's support. There had never been any default on a Bank loan and no participation of the Bank in any debt rescheduling in the past 12 years; therefore the Bank could argue that a 1:1 ratio was excessively conservative.

Finally, Mr. McNamara urged that Finland consider giving support to CGIAR--a program which should receive high priority because of its impact on food production in LDCs.

CKW
May 22, 1980