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THE WORLD BANK

Washington, D.C.

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The World Bank

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Washington DC 20433

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CLAUSEN'S: General Correspondence - Vol. I (1981)

18



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Clausen Papers - General Correspondence - Correspondence 01

Ladistaus von Hoffmann

2 Beekman Place
New York, N.Y. 10022

June 4, 1981

Mr. A.W. Clausen
Bank of America
P.O. Box 3700
San Francisco, Calif. 94137



Dear Tom:

Even though there is no reason for me to be concerned with IFC matters any more, I thought I should drop you a note on a point made in the attached article. I am rather keen that things which happened during my association with IFC be seen as they were in reality, and in particular that the picture presented to you be truthful.

What bothers me is the statement in the article that after 1975 Bob "moved in to fire an IFC chief who was suspected of being in cahoots with Kissinger." Since I am the only one to whom this latter reference can apply, I thought I should tell you that it was my own decision to leave IFC. I simply felt that it was time to return to private business and my decision had nothing to do with my relationship with Bob or with any kind of dissatisfaction with my job. The statement which I quoted is purely malicious fantasy of the sort which is constantly being cooked up in the Bank and then spread all over Washington. As to the support Bob gave IFC (which the article also questions), all I can say is that whenever I sought it I got it.

I hope you will forgive me for speaking up on this. Perhaps it is understandable that having spent a good part of my professional life with IFC, which was a period of great rewards and of satisfaction, I do not want to allow history to be rewritten

I spoke to Bob yesterday and told him how I felt about this matter.

With warm regards,

Sincerely,

A handwritten signature in blue ink, which appears to read 'L. von Hoffmann', written in a cursive style.

L. von Hoffmann

LvH/bk
Encl.

The World Bank widens its 'free enterprise window'

To please the supply-siders in the Reagan Administration (BW—Mar. 30), the World Bank is preparing detailed plans to expand its little known "free enterprise window," the International Finance Corp. (IFC). The organization has been an orphan compared with the World Bank's massive hard lending operations through the main organization or its "soft-loan" subsidiary, the International Development Association (IDA). Robert S. McNamara, head of the bank for 13 years,

considered IFC an embarrassment with the new state-capitalistic countries of Asia and Africa rather than an asset. And when then Secretary of State Henry J. Kissinger, in a speech before the United Nations in September, 1975, talked of massive new flows of private capital to the less developed countries, McNamara moved in to fire an IFC chief who was suspected of being in cahoots with Kissinger.

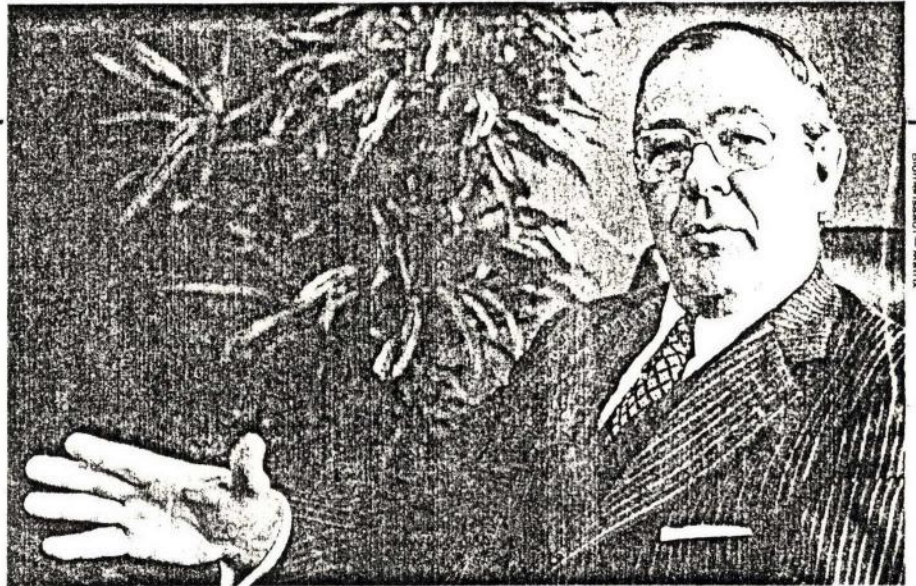
With a banker's banker, former Bank of America Chair-

outlook / CONTINUED

man A. W. (Tom) Clausen, soon to take over as head of the World Bank group, the IFC is coming out of hiding. The IFC is planning its own LDC energy scheme, involving a series of drilling funds in which it will sell shares, primarily to private oil companies. It is also proposing a series of mutual funds designed to help private investors cope with red tape in the LDCs' tricky but potentially lucrative growth.

The plan could get off the ground by midsummer if it gets the O.K. from the IFC's directors. Funds of \$100 million, beefed up by taking in outside partners, are proposed. Although the drilling operations would be run by medium-sized oil companies, the scheme is likely to spark complaints that such efforts divert drilling resources from more promising fields. (Washington has vetoed a more ambitious World Bank Energy "facility.")

At the bank's mercy. The mutual funds proposal will be roughly on the same scale. A Mexican fund, already undergoing registration with the U. S. Securities & Exchange Commission, will have the IFC as adviser. All this is in the IFC tradition: no soft loans, operating from its own profits and borrowings from the bank, dealing only with private sector operators in the "donor" countries and, where it can find them, private investors in the LDCs. Various IFC bosses in the past have sought to issue its own paper in the U. S. and European markets, much as the bank itself does. But that has always been



Clausen: Easing the way for more private investment in the less developed countries.

refused, which leaves the IFC at the mercy of the bank's decisions and resources.

Given this ideological bent, the new IFC chief executive, Hans Wuttke, expects his outfit will get more attention from the Reagan Administration. Beryl W. Sprinkel, U. S. Treasury Under Secretary for monetary affairs, is now studying Administration policy toward the World Bank group. But even the IFC window has been criticized by the Reaganites, reflecting criticism in the commercial banking community that its spadework is too slow, that it is too bureaucratic, and that it constitutes unfair competition since it has access to World Bank subsidized lending. It is clear that by relying on the IFC's private sector credentials—and Clausen's—the bank group is trying to take some of the heat off by formulating new IFC proposals before Administration policy jells.

—Jack Kramer

*Card
- file 77*

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GEN 0102 04/28 1131
1129
TEB 0162 SXWH
.ADM
DATE 04/28/81

TYP ADM
SAMINCORP NYK

NEWYORK
28 APR 81

TO BANK OF AMERICA SAN FRANCISCO
FROM ESCOHOLD NY

ATTN MR. CLAUSSEN
~~FROM L. VON HOFFMANN, ESCO HOLDINGS, INC., NEW YORK~~
ES-3140

I HAVE TO DEFER MY VISIT TO CALIFORNIA SINCE I HAVE TO GO TO EUROPE NEXT WEEK. UPON MY RETURN, I SHALL BE IN TOUCH WITH YOUR OFFICE. AS I UNDERSTAND THAT YOU WILL BE IN WASHINGTON IN THE NEXT FEW WEEKS, PERHAPS I MAY CALL YOU THERE.

BEST REGARDS.
END
FT

*Liz has
prior letter
4-28-81
A*



NNNN
SAMINCORP NYK

Action ✓

ESCO HOLDINGS, INC.
425 PARK AVENUE
NEW YORK, NEW YORK 10022
PHONE: (212) 888-5800

Liz - 4-20
AWC will see
Mr. V.H. if he
is in town.
S.

CABLE: ESCOHOLD NEWYORK
TELEX: 234398

April 7, 1981



Mr. A. W. Clausen
Bank of America N.T.S.A.
Bank of America Center
San Francisco, California 94104

Dear Mr. Clausen:

There is a possibility that I shall be in California during the first week of May, or perhaps a bit earlier, and I would like, if I may, to come and see you to renew our acquaintance. As you may know, I left IFC a few years ago to return to private business, and I am now associated with the Hochschild Group, which, through its various subsidiaries, is involved in mining, industry and metal and ore trading. I am enclosing a booklet which will give you some idea of our activities.

Perhaps your office could let my office in New York know whether you are likely to be in San Francisco around this time and to see whether a convenient date could be arranged.

With best regards.

Sincerely yours,

L. Von Hoffmann

L. Von Hoffmann

L VH/bb
Encl.

4-20-81
Phoned Secy.
Mr. V.H. will call
you when he gets
to SF. to see if you are here.
S.

THE WORLD BANK

ROUTING SLIP		Date Dec. 15, 1981
OFFICE OF THE PRESIDENT		
Name		Room No.
Mr. Clausen		D
cc: Messrs. Qureshi, Rotberg		
<input type="checkbox"/>	To Handle	Note and File
<input type="checkbox"/>	Appropriate Disposition	Note and Return
<input type="checkbox"/>	Approval	Prepare Reply
<input type="checkbox"/>	Comment	Per Our Conversation
<input type="checkbox"/>	Full Report	Recommendation
<input checked="" type="checkbox"/>	Information	Signature
<input type="checkbox"/>	Initial	Send On
Remarks		
Olivier Lafourcade		
From		

2164
Goldman, Sachs & Co. | 55 Broad Street | New York, New York 10004
Tel: 212-676-8349

Daniel W. Hofgren
Vice President
Investment Banking Division

Goldman
Sachs

December 7, 1981

Mr. A. W. Clausen
President
World Bank
1818 H Street N.W.
Washington, D. C. 20433

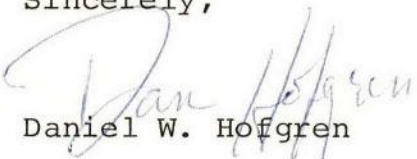
Dear Mr. Clausen:

A short note on behalf of John Whitehead and myself to thank you for the opportunity of visiting with you on Teusday, December 1. We thought our discussion was fruitful and constructive.

We look forward to the opportunity of working with you. If we can be of assistance in the education process at the Capitol, as well as in the Administration, to make them better understand the constructive role of the World Bank, please feel free to call upon us.

With warm regards.

Sincerely,


Daniel W. Hofgren

DWH:jme

OFFICE OF THE VICE PRESIDENT

NOV DEC 14 1981

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RECEIVED

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OFFICE OF THE PRESIDENT

GOL

BRIEFING NOTE ON THE RELATIONSHIP
BETWEEN GOLDMAN, SACHS & CO. AND THE WORLD BANK

Goldman Sachs has been a member of the Bank's underwriting syndicate from the beginning of our borrowing operations in the U.S. market. In recognition of their importance to our operations Goldman Sachs was put into a special bracket category together with Merrill Lynch in the mid-70's. After the Bank's domestic issue in July 1977 lengthy discussions between the Bank and its three lead managers (Morgan Stanley & Co., the First Boston Corporation and Salomon Brothers) it was agreed to include both Goldman Sachs and Merrill Lynch as co-managers for our U.S. domestic issues. Mr. McNamara's letter of June 3, 1980 notifying Goldman Sachs about this appointment is attached for reference. In the most recent issue in the United States on October 22, 1981, Goldman Sachs therefore appeared for the first time as co-manager for a Bank issue in the United States.

The question of how the rotation between the five managers would take place is spelled out in the second paragraph on page 2 of the letter.

Goldman Sachs has also been very active in supporting our borrowing activities in the form of swaps. In September this year they brought a swap operation to our attention in which B.F. Goodrich wanted to swap the proceeds of a Swiss franc borrowing into U.S. dollars. The transaction was concluded with Chase Manhattan Bank since B.F. Goodrich did not meet our basic quality requirements of a AAA rating. Goldman Sachs participated in the Eurodollar issue which provided the dollar side of the swap.

More recent offers of similar transactions with Goldman Sachs could not be executed due to a decision by the Swiss National Bank that only liabilities that were incurred 18 months ago or earlier could be included in swap operations. Goldman Sachs had lined up two or three operations in which U.S. borrowers would have gone to the Swiss market for immediate swaps into dollars. These proposals cannot be considered by us at the moment.

Treasurer's
December 1, 1981

Office of the President

June 3, 1980

Mr. John C. Whitehead
Senior Partner
Goldman, Sachs & Co.
55 Broad Street
New York, N.Y. 10004

Dear John:

This is with reference to our discussions concerning your role in the World Bank syndicate and underwriting for our public bond and note issues in the United States.

We are most pleased to invite Goldman, Sachs & Co. to serve as a co-manager together with Salomon Brothers, Morgan Stanley & Co. Incorporated, The First Boston Corporation and Merrill Lynch Pierce Fenner & Smith Inc. for our public issues in the United States. We believe that the establishment of this close and important investment banking relationship will be of mutual benefit to our respective institutions and is one which we look forward to and welcome.

As you can appreciate, matters such as this involve considerable complexity. A change or increase in the size of the management group involves balancing the potential gains from a broader distribution of our obligations against a potential loss in effectiveness occasioned by the different management styles and the increased number of participants who must be closely consulted with in the pricing, distribution and syndication of each issue. It is most important, therefore, that we are assured that the addition of Goldman Sachs will ensure that our obligations are sold to investors who do not now own them or do so only marginally, that the new issue and secondary market will be broadened, and that market sectors will be expanded and new ones opened.

We know that you and the other principals of your firm assign great importance to this matter. We do want to be assured, however, that your management, syndicate department and sales force will take the time and make the necessary effort to fully understand the financial and lending operations of the World Bank. We expect that they will be equipped and prepared to discuss the Bank thoroughly with potential institutional investors and that they in fact will do so. I realize that institutional sales representatives have available a wide range of investment instruments and alternatives to offer potential investors. Nonetheless, with the increase in the volume of our borrowing operations over the coming years, an improvement in our penetration of the US capital markets will be crucial to our success. That success in turn will depend on the commitment of your firm to understanding and placing the Bank's obligations. Accordingly, I have asked each of the co-managers to advise

Mr. John C. Whitehead

- 2 -

June 3, 1980

me how they would intend to fulfill the responsibilities set forth in this paragraph. With respect to our forthcoming issues, I would wish to be advised by each manager of the amounts sold to each institutional purchaser of our obligations and their identification.

At present I believe it appropriate that, for the next three issues, we rotate the management of the syndicate amongst our current three managers and, thereafter, we rotate amongst the five managers depending on market performance. This matter, of course, will be under regular review and possible change in the light of our mutual experience. I would expect that the amount of bonds actually underwritten by all five managers would be identical and that the manager responsible for leading the syndicate in any particular issue will assure that bonds or notes will be made available to those firms who can sell them and, that as a corollary, the requests for bonds and the assessment of the market will be done in a manner consistent with the best interests of the Bank and in fairness to the other members of the syndicate and the public.

May I again express my appreciation for your advice and counsel. We look forward to a long and mutually supportive relationship.

Sincerely,



Robert S. McNamara

December 1, 1981

Mr. Clausen,

John Whitehead and his colleague, Dan Hofgren, will want to give you some comments on an appropriate strategy for borrowing in the U.S. market, similar to that provided earlier by Morgan Stanley. A briefing note on the relationship between Goldman, Sachs and the World Bank is attached.

The only other important point on which we should solicit Mr. Whitehead's assistance is IDA. John Whitehead had mentioned to me that he had strong ties with the present Administration and that he had the opportunity to see the President from time to time. He would be prepared to do some lobbying for IDA if you feel that his assistance would be valuable. I think we should discuss how he could be helpful in this regard during lunch.

Moeen

Moeen Qureshi

Att.

A large, stylized handwritten mark, possibly a signature or initials, consisting of several overlapping lines forming a triangular shape with a horizontal base.

Contacts ? of
Country ?

BRIEFING NOTE ON THE RELATIONSHIP
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Treasurer's
December 1, 1981

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55 Broad Street
New York, N.Y. 10004

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Mr. John C. Whitehead

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June 3, 1980

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May I again express my appreciation for your advice and counsel. We look forward to a long and mutually supportive relationship.

Sincerely,



Robert S. McNamara

RESUME OF
JOHN C. WHITEHEAD

WHITEHEAD, JOHN CUNNINGHAM, investment banker; b. Evanston, Ill., Apr. 2, 1922; s. Eugene C. and Winifred Whitehead; B.A., Haverford Coll., 1943; M.B.A., Harvard, 1947; m. Helene E. Shannon, Sept. 28, 1946 (div. Dec. 1971); children—Anne Elizabeth, John Gregory, Sarah; m. 2d, Joan W. Chartener, Oct. 22, 1972. With Goldman, Sachs & Co., N.Y.C., 1947—, partner, 1955—; dir. Am. Dist. Telegraph Corp., Crompton Co., Crompton & Knowles Corp., Dillard Dept. Stores, Equitable Life Real Estate Trust, Household Finance Corp., Pillsbury Co. Pres. Internat. Rescue Com.; chmn. trustees Haverford Coll.; trustee Bryn Mawr Coll., Carnegie Corp.; bd. dirs. Assos. of Harvard Bus. Sch., Econ. Devel. Council N.Y., Am. Productivity Center; co-chmn. Rep. Nat. Fin. Com. Served with USNR, 1943-46. Mem. Securities Industry Assn. (past chmn. bd. govts.), N.Y. C. of C. (dir.), Conf. Bd., Georgetown Center for Strategic and Internat. Studies, Council on Fgn. Relations Clubs; Links, Recess, University (N.Y.C.); Fells Brook. Home: 131 Old Chester Rd Essex Fells NJ 07021 Office: 55 Broad St New York NY 10005

WHO'S WHO IN AMERICA

Luncheon, December 1, 1981

Luncheon at 1:00 p.m. E Bldg. (Mr. Clausen's Private Dng. Rm.)

Mr. A. W. Clausen (Host)

Mr. John C. Whitehead
Senior Partner
Goldman, Sachs & Co.

Mr. Daniel W. Hofgren
Vice President
Investment Banking Services
Goldman, Sachs & Co.

Mr. Moeen A. Qureshi

Mr. Eugene H. Rotberg

Mr. Joseph Uhrig

Mr. Percy Mistry

(7 people)

APPETIZERS

Navy Bean Soup - Consomme Celestine	\$0.65
Fruit Juices - Tropical Fruit Cup	\$0.60
Hearts of Palms Vinaigrette - Melon	\$1.05
Pate de Foie - Eggs Danoise	\$1.25

ENTREES

STEAK & KIDNEY PIE	\$4.75
TOURNEDOS ROSSINI	\$5.25
SUPREME DE VOLAILLE IMPERIALE	\$4.25
(Chicken Breast with Asparagus)	
PERCHE DE MER MARECHALE	\$4.90
(Breaded Filet of Perch)	

OR

FROM THE GRILL R() M() W()
(Cooked to Order)

GRILLED MINUTE STEAK	\$5.60
TWO BROILED LAMB CHOPS	\$5.45
CHOPPED SIRLOIN STEAK W/MUSHROOM SAUCE	\$3.80

VEGETABLES
(Choice of Two)

Boiled Potatoes

Green Beans

Ratatouille

Salad

COLD PLATES

CHEF'S SALAD WITH SPINACH	\$3.75
ROAST BEEF SANDWICH	\$3.10

DESSERTS

Sherbert Ice Cream	\$0.80
Assorted Pastries, Cakes and Pies - Coupe Nesselro	\$1.05
Creme Caramel	\$1.00
Fresh Fruit	\$1.10
Cheese and Crackers	\$1.10

APERITIFS - BEVERAGES

Sherry Sweet/Dry \$0.75	Dubonnet \$0.75	
Coke \$0.60	Ginger Ale \$0.60	Milk \$0.30
Perrier \$0.95		
Coffee \$0.30	Tea \$0.30	Espresso \$0.45

Tuesday

December 1, 1981