

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 18, 1946.

To Chairman Eccles

Subject: Request for an appointment

From Mr. Knapp

by Mr. Ridder.

Mr. Ridder, Treasurer-General (i.e. Under Secretary of the Treasury) in the Netherlands Government, is in town for a few days and is paying calls at the State and Treasury Departments. The Financial Attache at the Netherlands Embassy has called to ask if Mr. Ridder might have an appointment with you sometime today or Monday morning. Attached is a memorandum on the present state of Netherlands' loan applications which may be the subject which Mr. Ridder wants to discuss with you.

Attachment

Saw Mr. Knapp

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Date October 18, 1946.

To Chairman Eccles

Subject: New Developments in Netherlands'

From Mr. Knapp

Loan Negotiations.

You will recall that last Spring the Export-Import Bank, with the approval of the National Advisory Council, extended a 200 million dollar loan to the Netherlands, of which about half was taken up by commercial banks. Advances under this loan are to be paid off one-half within a year and one-half within two years out of the proceeds of the liquidation of Dutch-held U. S. securities or out of the proceeds of bonds to be issued by the Netherlands Government in the private market.

Drafts on this credit have proceeded very slowly (only 20 million dollars has been drawn to date) but at the same time (a) the Dutch have shown great reluctance to push the sale of Dutch-held securities, and (b) the flotation of Dutch bonds in this market has been deferred indefinitely because of market conditions (plus the fact that Kuhn, Loeb and Company, which was to have been the principal underwriter of the Dutch public offering, has been stuck with unsold securities on certain other new issues which it has been handling).

The Dutch have now told the Export-Import Bank that they feel that their borrowing on the original terms was unwise and that they would like to convert the 200 million dollar credit into a long-term reconstruction loan. Finance Minister Liefstinck discussed this matter with Bill Martin during the recent Fund and Bank Conference and we were advised by Gus Maffry that he had been given a flat refusal. Gus distributed a memorandum prepared in the Bank justifying this refusal on the ground of the limited resources of the Bank and the ability of the Netherlands to finance its program out of its own resources. Nonetheless, you will recall that Pete Collado mentioned at lunch yesterday that the matter was still being discussed by the Board of Directors of the Export-Import Bank.

I doubt if there is any chance that a new long-term Export-Import Bank loan to the Netherlands will be approved by the National Advisory Council. However, in view of the fact that the Dutch have drawn such a small amount on their Export-Import Bank credit, it is quite possible that they will now abandon that credit and seek help from the International Bank on a long-term basis.