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Summary of Oral History Transcript

Broches, Aron

Interview conducted by Robert E. Asher, on 1984-04-18

Aron Broches, a Dutch national and international lawyer whose association with the World Bank dates back to the Bretton Woods Conference in the summer of 1944. From 1942-1946 he was legal adviser to the Netherlands Government and to its Economic Mission in the U.S. He joined the Bank in 1946, became General Counsel in 1959, and assumed the additional title of Vice-President in 1972. He retired in 1979. From 1967 to 1980 he also served as Secretary General of the International Centre for the Settlement of Investment Disputes (ICSID).

In 1944, Broches was a member of the delegation assigned to the drafting committee of Commission I dealing with the Fund, since there was one also for the Bank. He talks of the number of proposals discussed including the famous lending limit, and a tough-sounding provision on the investment of the special reserve funds. Other provisions covered, namely the right of a country to control use of its paid-in capital. Broches' involvement in the inaugural meeting of the Bank in Savannah in March 1946 mostly as an observer, noting the fight between Lord Keynes [Governor for the U.K.] and F.M. Vinson [Secretary of U.S. Treasury] about the location of the Fund and the Bank where initially New York seemed like the logical place, and the other main issue of the role of the Executive Directors, their salaries, and whether they ought to be permanent officials or persons coming from capitals.

Broches' retrospective appraisal of Eugene Meyer's presidency as secondhand; mostly that he was not highly thought of, that it was due

to his lack of initiative that the Board stepped in to fill in the vacuum as did the U.S. Director, Emilio Collado, thus resulting in Meyer's resignation in December 1946, leading to a tense interregnum period prior to the arrival of McCloy, Garner, and Black [in March 1947]. The memorandum on relations between the President and the Executive Directors was the basis on which McCloy accepted the presidency. Under McCloy the Bank's first loans were made, they were for European reconstruction; general purpose rather than specific project loans.

Broches addresses the period after the first Annual Meeting and prior to Meyer's resignation, where various policy and technical issues regarding the kind of agreements the Bank should have were formulated. Broches arguing strongly in favor of international law as applicable law, and an international forum for dispute settlement. Article 102 of the U.N. Charter requires that international agreements be registered and published with the U.N. Secretary General otherwise they cannot be invoked by any U.N. organ. Broches was a proponent of registration. The Bank was also willing to publish its agreements making it the only public international lending institution that does.

Broches elaborates on the Bank's early difficulties with Poland and Czechoslovakia, resulting in the Poles withdrawing from the Bank on March 15, 1950, and the Czechs suspended from membership and then automatically ceasing to be members a year later under the Articles of Agreement. Broches talk about the Bank's involvement in international mediation or settling international disputes such as Black's conciliation role in connection with the City of Tokyo bonds, and the Bank's mediation between the Suez Canal Company and Egypt, all serving as forerunners for the establishment of ICSID (International Centre for Settlement of International Disputes) in the Bank.

Broches succeeded Dave Sommers as General Counsel [1959]. He mentions how the functioning of the Legal Department changed with the broadening of the Bank's activities and the rise of operations

requiring organizational changes. Mentions the employment of professional women and, in that context, Virginia Morsey in early 1947, who was for a long time the only woman lawyer.

Insofar as the interpretation of the Articles of Agreement is concerned, the Executive Directors or the Board of Governors are the final authority; originally a U.S. proposal since the operations of both the Bank and the Fund are so unique. Broches elaborates on the capital valuation issue on the question of transfers of Bank profits to IDA, which is the question of the Bank's authority to make a grant to IDA out of its profits which would otherwise be distributed to the shareholders or kept as a reserve. The final agreement resulting in the interpretation which was not appealed and was noted by the Board of Governors at the '64 Annual Meeting in Tokyo; exercising for the first time the power to make grants pursuant to the Directors' interpretation. Broches also talks briefly about the policy issues raised by the proposal of grants to IDA, and IDA replenishments.

Broches mentions how the access to information improved with the creation of the Operations Evaluation Department with its completion and evaluation reports. He also talks about becoming head of one of the general survey missions to Nigeria in 1950.