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THE WORLD BANK

Washington, D.C.

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General Files and
Communications Section
February 1968

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 8, 1968 1215

LOG NO.:

WU 12/11

TO:

INTBAFRAD

FROM:

NEW DELHI

ROUTING

ACTION COPY: MR. FRIEDMAN

INFORMATION
COPY:

DECODED BY:

TEXT:

✓
42 FOR FRIEDMAN

ARRANGING DINNER MRS. FRIEDMAN YOURSELF MARCH 19

GILMARTIN

MR. FRIEDMAN TELEPHONED DURING WEEKEND

MT

GENERAL FILES
COMMUNICATIONS

MAR 11 8 36 AM 1968

TO: DIRECTOR, FBI (100-442100)

FROM: SAC, NEW YORK (100-158741)

SUBJECT: JAMES EARL RAY, AKA; ALLEGED ATTEMPT TO
OBTAIN PASSPORT FOR TRIP TO AFRICA

RE: NEW YORK TELETYPE TO BUREAU, 3/10/68
RE: NEW YORK TELETYPE TO BUREAU, 3/10/68

ENCLOSURE

ADMINISTRATIVE PAGE TWO

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 8, 1968

1200

LOG NO.:

WU 13 / 11

TO:

INTBAFRAD

FROM:

NEW DELHI

ROUTING

ACTION COPY: MR. FRIEDMAN

INFORMATION COPY: MR. DEMUTH

DECODED BY: TRAVEL OFFICE

TEXT:

18 FRIEDMAN COPIES DEMUTH HAUENSTEIN

REURCAB 18 HAVE RESERVED SUITE ASHOKA FOR TWO MARCH 15 TO 23.

INFORMED GILMARTIN. CAR WITH DRIVER WILL EXPECT YOU AIRPORT

REGARDS

KARASZ

MR. FRIDMAN TELEPHONED DURING WEEKEND

IR

GENERAL FILES
COMMUNICATIONS

MAR 11 9 08 AM 1968

UNCTAD II

CROSS REFERENCE SHEET

COMMUNICATION: SENIOR STAFF MEETING SSM/M/68-10

DATED: March 8, 1968

TO:

FROM:

FILED UNDER: SENIOR STAFF MEETING

SUMMARY:

UNCTAD II

5. Mr. Demuth said that reports from Mr. Karasz, the Bank's representative at the UNCTAD meeting in New Delhi, added little to what had appeared in the newspapers; hardly any progress had been made, and a mood of despair prevailed. It appeared that a Committee of the "77" was drafting a resolution which would echo the "Algiers Charter", including proposals relating specifically to the Bank and IDA.

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 67

March 8, 1968

Dear Dick:

*** Enclosed, please find report by Sarma on the meeting in
Committee Three, on March 7, on the role of compensatory financing
facilities in the IMF. Dell and Edgar Jones made detailed statements
*** on this subject which I attach. (Documents TD/II/C.3/L.11, and
TD/II/C.3/L.10).

With best wishes,

Sincerely yours,

Arthur

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U.S.A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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c/o Ashoka Hotel, New Delhi, India

Letter No. 67

March 8, 1968

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on this subject which I attach. (Documents TD/II/C.3/L.11, and
TD/II/C.3/L.10).

With best wishes,

Sincerely yours,

A. H. K.

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U. S. A.



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c/o Ashoka Hotel, New Delhi, India

Letter No. 66

March 8, 1968

Dear Dick:

*** Enclosed please find report by Sarma and Jalan on the last day of the discussion in Committee Three of the Report by the Inter-governmental Group concerning Supplementary Finance.

With best wishes,

Sincerely yours,

D. H. -

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

UNCTAD II : COMMITTEE III

March 6, 1968 (9.30 a.m.)

Canada, France, Syria, New Zealand, Netherlands, Switzerland and Japan made general statements on Supplementary Finance. Syria, Netherlands and Switzerland gave support to a scheme for Supplementary Finance essentially along the lines of the Bank Staff Scheme. Canada agreed with the principle of Supplementary Finance but indicated that it was not yet in a position to commit itself to a particular scheme at this time. France, New Zealand and Japan expressed, in different degrees, not only their reservations against the Bank Staff Scheme but also against the principle of Supplementary Finance itself. In response to a request by Ceylon from the floor, Mr. Sarma on behalf of the Bank Staff, made brief statements on the question of the relative importance of export shortfalls and other causes of disruption, and on the relationship between commodity stabilization and Supplementary Finance.

Canada regarded the Bank Staff Scheme as a valuable contribution not only to the problem of unexpected export shortfalls, but also to the rationalization of the entire aid-giving process itself. However, a number of questions relating to some of the essential aspects were yet unresolved and remained to be dealt with before it could commit itself to the scheme suggested by the Bank Staff. Since there seemed to be a general agreement that the scheme for Supplementary Finance will not come into existence before 1970, the intervening period could fruitfully be used in clarifying some of these unresolved issues within the framework of the inter-governmental group. However, Canada firmly believed that Supplementary Finance and Compensatory Finance were complementary to each other. Similarly, though no final answer could be given to the question of priority between Supplementary Financing and basic financing, it was felt Supplementary Finance would help the flow of basic financing.

France said that at the First Conference it had made clear that its support for the Resolution A.IV.18 did not imply an acceptance of the principle of Supplementary Finance. The real solution, in its opinion, lay in the organization of commodity markets. Supplementary Finance was not only a palliative, but is also likely to delay the search for more real solutions to the problem of stabilization of commodity prices.

(continued .. 2)

Syria expressed complete accord with the majority view of the inter-governmental group on the Bank Staff Scheme. Neither commodity agreements nor the IMF Compensatory Financing Facility was a substitute for Supplementary Finance. Syria was, however, concerned with the content of policy understanding in the Bank Staff Scheme. It felt that as envisaged now, such policy understanding was bound to infringe upon the sovereignty of developing countries. The agreed policy understanding, in its view, should be very general in character and should not contain any commitments by developing countries to specific actions in the economic policy field.

As a country dependent on primary commodities for 90% of its export earnings, New Zealand recognised the importance of the problem of unexpected shortfalls and the urgent need to reach sound long-term solutions. However, in its opinion, much more important than Supplementary Finance, is the long-term access to world markets at remunerative prices.

The Netherlands felt that much work had been done on the scheme and that it had great sympathy with the approach adopted in the Bank Staff Scheme, especially the idea of a prior policy understanding. The fact that the developing countries found it possible to support this notion of policy understanding was most important; however, serious doubts have been expressed by some delegations about the feasibility of this Scheme and the Netherlands, therefore, would not oppose the suggestion to re-convene and broaden the terms of reference of the inter-governmental group. In doing so, the Netherlands wanted to make it clear that undue delay in implementing the scheme should be avoided and that the scheme should come into operation by early 1970.

Switzerland said that the Scheme for Supplementary Finance was necessary particularly in view of the slow progress in efforts to stabilize commodity prices. This should be integrated into existing multilateral machinery. It felt that the report of the inter-governmental group contained the elements on which a balanced solution could be found to the problem under consideration and hoped that the Conference would ask this Group to continue its work and produce a scheme ready for implementation by a definite date.

Japan expressed serious reservations against the Bank Staff Scheme, especially with regard to the feasibility of export projections and also policy understandings.

(continued .. 3)

It generally agreed with the views expressed by the representative of Germany and others who had reserved their decision on this scheme.

At the end of the general debate on Supplementary Finance, the representative of Ceylon requested the Bank's representative, if possible, to clarify two of the technical points which had been raised by many delegates. These related to the question of the relative importance of export shortfalls and other causes of disruption, and the relationship between commodity stabilization and Supplementary Financial Measures. Invited by the Chairman, Mr. Sarma made prepared statements on these two subjects.

The Meeting concluded with a statement by Mr. Dell of the UNCTAD Secretariat, on progress achieved in implementing the recommendations of Resolution A.IV.17 on Compensatory Financial facility, the next item on the agenda of the Committee.

N. A. Sarma
N. A. Sarma

B. N. Jalan *Bnj*

cc: Mr. Karasz (2)
Mr. de Fontenay

Headquarters:
Washington, D.C., U. S. A.



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Letter No. 65

March 8, 1968

Dear Dick:

Attached to my letter No. 64, I sent you a new draft resolution of the "77" on the "proposed transformation of the World Bank".

Its author is Enrique who has, in fact, become the development expert of the Latin American group. (You might remember a letter of mine from Paris, maybe three months ago, where I reported about such a possibility, but I did not take it too seriously at the time).

Enrique asked me to give you his best regards. He will write as soon as possible, but now he is in the middle of events and just cannot find the time for private letters. He says he never worked so hard while in the Bank... He is as nice as ever and ready to give information. He is a little apologetic about the text but says that pressure was great and it was just important to eliminate everything that might have been embarrassing for the Bank.

Thus Enrique has become a politician and is quite pleased with this role of his. As far as we are concerned, it is probably better for us to have him as the expert rather than someone from the jungle.

With best regards,

Sincerely yours,

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Impossible

Report No. 64

Richard H. Demuth

Headquarters:
Washington, D.C., U. S. A.



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c/o Ashoka Hotel, New Delhi, India

Letter No. 64

March 8, 1968

Dear Dick:

Supplementary finance is just one of the many unsolved problems of the Conference. In reality there is no agreement yet on any subject. I am told that yesterday a ~~high-ranking~~ member of the UNCTAD Secretariat, Mr. Robert Müller, made a report to a selected group of representatives of the UN agencies on the present state of the Conference. He mentioned among others that in the group of "77" there are two schools of thought at present: one talks about the need for agreement at any price, the other wants to interrupt the Conference and report about its failure to the General Assembly. The leader of this "failure group" is Azeredo da Silveira, head of the Brazilian delegation, who I am told is not in great friendship with Prebisch.

I am convinced that failure will not be admitted and a compromise solution will be preferred. One might be a "Delhi Declaration" based upon the global strategy of Prebisch.

I take some of the matters under discussion one by one:

(i) Preferences: The experts are less gloomy. Maybe a formula will be found to save appearances. Substance will have to be taken care of later.

(ii) Commodities: The Conference is not likely to achieve anything specific.

(iii) Targets: In my letter No. 48, I reported about the new definition of the target by the "77". The counter-proposal prepared by the developed countries points out that they agree with the one per-cent rule (based on national income figures) and will try to reach it before the end of the decade. Maybe the Conference can agree on a formula of this kind.

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

.../...

acc March 13/68



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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March 8, 1968

Letter No. 61

Dear Dick:

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Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

...

March 12/68

(iv) Volume: Developed countries are working on a counter-proposal. It might contain, among others, reference to further IDA replenishment at a figure higher than \$400 million yearly. If that is correct, UNCTAD would merit our special grand cross of the III. (For those who do not know: IBRD, IDA, IFC).

(v) Transformation of the IBRD: This has started to become a most important matter. the group of "77" has accepted the Latin-American draft in about the same form as reported in my letter No. 48 (pages 3 and 4).
... I enclose copy of the ~~sent~~ text, which will be submitted to the contact group.

Most of the items in the proposal seem to be harmless, except for the following:

(a) A general introduction which requests the Board to study its transformation into a Bank for developing countries.

(b) Paragraph (iii) asking us to start negotiations with developed countries concerning prepayment of their debts.

(c) Paragraph (viii) on the World Bank guaranteeing funds raised on the money market by developing countries.

I would be very grateful for your cable on how the Bank reacts to this paper. The question will certainly come up in next week's conversations.

Finally:

(vi) Supplementary financing: The "77" have not yet taken a definitive attitude on how to react to the statements by the big donors. I am told that Ceylon and India are playing with the idea of having the agency voted at majority even if most of the donors would refuse to give the funds needed. This would mean, of course, the creation of a UN capital development fund. This is just a piece of news without official confirmation.

With best regards,

Sincerely yours,

A.H.

Arthur Karasz

CO-ORDINATING GROUP OF THE 77, THIRD COMMITTEE

EXTENSION OF THE OPERATIONS OF THE WORLD BANK

(a) That the Governments represented in UNCTAD which are also members of the World Bank should request at the next meeting of the Board of Governors that the Bank should study the transformation of its activities to permit devoting itself entirely to aid to developing countries, and that to this end the necessary policy reforms should be introduced, with particular reference to the following considerations:

- (i) That the World Bank should consider the possibility of financing plans and programmes instead of financing only projects, as has been its traditional policy;
- (ii) That the World Bank should consider the imperative need that loan periods should be longer and interest rates easier in line with the developing countries' ability to pay;
- (iii) That the World Bank should enter into negotiations with the debtor developed countries to examine the possibility of advance payment of their debt balances;
- (iv) That the World Bank should increase its aid to countries which still have no direct access to international capital markets;
- (v) That the World Bank should modify its loan policy with a view to giving effective financial assistance to projects of State and mixed enterprises engaged in industrial activity, especially those which are working in strategic areas of development;
- (vi) That the World Bank should consider financing public health projects and programmes and should broaden its operations relating to rural and urban development, education and economic integration;

- (vii) That the World Bank should agree to administer trust funds provided by the various Governments and institutions, preferably with untied funds, in order to facilitate special operations such as those referred to in paragraphs (v) and (vi);
- (viii) That the World Bank should apply the legal provisions of its Articles of Agreement empowering it to give guarantees for the following types of operations: first, the obtaining of funds by the developing countries in capital-exporting countries; and second, the placement of securities in both international and internal markets;
- (ix) That the World Bank should increase its cooperation with regional financing institutions, and where possible should grant credits jointly with regional banks and integration banks;
- (x) That the World Bank should extend and broaden its consortium and consultative group services so that a larger number of developing countries can use them.
- (xi) That the World Bank should cooperate with countries, at their request, in negotiations with creditor countries for the consolidation, conversion and renegotiation of their external debts;
- (xii) That the operations of the International Finance Corporation should be expanded in the most effective possible way;
- (xiii) That the Bank should vigorously pursue negotiations with the developed countries so that the International Development Association may have at its disposal as soon as possible the additional funds needed to expand its activities;
- (xiv) That the International Development Association should broaden its lending policy so as to finance projects and programmes designed to correct regional imbalances in the developing countries.

SEB
Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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c/o Ashoka Hotel, New Delhi, India

Letter No. 63

March 8, 1968

Dear Dick:

In the meantime, you will have received the reports prepared by Sarma and Jalan, on the discussions concerning supplementary finance, as well as my cable No. 17. They give a fair picture of what has happened in this extremely complicated matter.

... I enclose texts of the statements made by the US, Switzerland, Germany and the **Australians** as it may be helpful for you to read what they had to say on this subject.

The third sentence in my Cable No. 17 mentions that several developed countries extended a varying support. The UK, for instance, made a long statement highlighting the problem from many sides but, as James Mark often does, going round the problem rather than making a direct approach. He seems to be for a scheme but, maybe, not necessarily the scheme. To quote him from my notes: "there is scope for a good deal of modification of the Bank scheme. We need something simpler leaving a fair amount of discretion to the Agency". Therefore, he suggests that the Conference should:

- (a) recognize the need for supplementary finance;
- (b) commend the Bank scheme;
- (c) recognize the need for other schemes; and
- (d) maintain the Intergovernmental Group to be called as soon as possible and ask for completion of its work within a reasonable time.

Switzerland made a very interesting statement. The Swiss are favourable toward the Bank scheme, because they consider it as a necessary and useful intermediate solution (the French word "soudure", underlined in the original) to be used until results will have been obtained on the larger front of commodity stabilization. Therefore, they think that the report of the

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
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Washington, D.C.

.../...



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Mr. Richard H. Dornth
Director, Development Services Department
International Bank for
Reconstruction and Development

Washington, D.C.

Intergovernmental Group contains the "elements" of a balanced solution. They hope the Conference will invite the Intergovernmental Group, or an enlarged intergovernmental group, to prepare, at a deadline to be decided in advance, a definitive scheme.

A great majority of the speakers (France, Germany, UK, the Netherlands included) stressed the interest of their governments in the Bank-Fund study on the stabilization of commodities. It is difficult to say how many of them are genuinely interested in the new study and how many are just using it as an argument to delay a decision on supplementary financing. This great publicity for the Bank-Fund study means, in any case, an added responsibility for the Bank and Fund; it might easily become a boomerang. In any case, it would be quite embarrassing for us if after all this publicity the Study contained only negative results.

A number of speakers, like the US, pointed out the relationship between compensatory and supplementary finance. According to the US, "we are not satisfied that the relationship between the two was explored as fully as it should have been in the IBRD Study and the Intergovernmental Group discussions".

Now, so far as the future is concerned, as I tried to explain also in my cable, the meeting of Committee Three was just the first act in the great discussion on supplementary financing. The next act will take place in the contact group and, thereafter in the last week of the Conference, in the higher-level political discussions between the two main groups. Thus, the outcome is still entirely open.

Supplementary financing is only one of the great problems of this Conference. However, it will perhaps be preferable that I discuss these problems in a separate letter.

With best wishes,

Sincerely yours,

Arthur

Arthur Karasz

Report No. 62

Headquarters:
Washington, D.C., U. S. A.



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Letter No. 62

March 8, 1968

Dear Gunther:

Thank you for your letter No. 11 concerning the Brazilian complaint about new Bank policy on procurement.

I got into touch with the Brazilian expert who is a member of the Brazilian delegation to UNCTAD. His name is Eduardo P. de Carvalho and he is Adviser to the Finance Minister of Brazil. I think you met him in Brazil and he paid you a visit also in Washington. You said in your letter No. 11 to me that I may not wish to use your information when talking to the Brazilians. I followed your advice and explained to de Carvalho the content of Cable No. 12, which I had received from Washington. As you know, it contains the description of the procurement policy followed by the Bank in general. It does not talk about the new policy the Bank decided sometime ago.

However, this was an unnecessary precaution because Carvalho knows the new system better than I do. He explained it to me and his explanation corresponded exactly to what you wrote me in your letter of February 27. Therefore, there was nothing I could do in this matter except to suggest that I write you giving details of our conversation for your information. We parted in the best of friendship. Carvalho thinks that his Minister will visit Washington to represent Brazil at the Board Meeting of IDB and maybe bring this matter up with the World Bank. He will also visit Washington soon after the conclusion of the Conference and I am sure he will try to discuss the matter with you.

Carvalho and I will be staying in New Delhi until March 25; therefore, if there is anything more you wish to add on this matter, please write me before that date.

With best regards,

Sincerely yours,

Arthur Karasz

Mr. Gunter K. Wiese
Western Hemisphere Department
International Bank for
Reconstruction and Development
Washington, D.C.

Washington D.C.
Reconstruction and Development
International Bank for
Western Hemisphere Development
Mr. Chester K. Mize

Valuable Release

Disclosed to you

With best regards,

we return your letter.

It seems to me that you may be right on this matter. Please write
Carvalho and I will be staying in New Delhi until March 22. Therefore,

will try to discuss the matter with you.

Washington soon after the conclusion of the Conference and I am sure he
and will be right on this matter. He will also state
will state Washington to represent Brazil at the Board Meeting of IDB
he has been in the past of the organization. Carvalho thinks that the Minister
that I will be right on this matter. He will also state
therefore, there was nothing I could do in this matter except to suggest
consequently, I will be right on this matter. He will also state
the new system better than I do. He explained it to me and the explanation
however, this was an unnecessary presentation because Carvalho knows

before the Bank decided something else.

before the Bank decided something else. It does not talk about the new
Washington. As you know, it contains the description of the presentation
to be Carvalho the content of the letter No. 15. When I was received from
when talking to the Brazilians. I followed you advice and explained
in your letter No. 11 to me that I will not write to the new information
now in Brazil and he has been a state also in Washington. Don't say
and he is a member of the Finance Minister of Brazil. I think you will
Brazilian delegation to the IDB. His name is Eduardo B. de Carvalho
I got into touch with the Brazilian expert who is a member of the

about the Bank before on presentation.

Thank you for your letter No. 11 concerning the Brazilian committee
best wishes.

March 8, 1968

Letter No. 15

c/o Varokas Hotel, New Delhi
Telephone - 223-3210

* VALENTINE D. LEON, BAKIS (1968) - BRANCH
EUBOKEAN OFFICE:

CHIEF OFFICER - INDELAUS BAKIS

INTERNATIONAL DELEGATION ASSOCIATION

CHIEF OFFICER - INDELAUS BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: INTBAFRAD
NEW DELHI

DATE: MARCH 7 1968

CLASS OF
SERVICE: FULL RATE

COUNTRY: INDIA

RCF

TEXT:

Cable No.: ~~NO~~ 18 FOR KARASZ

EXPECT ARRIVE NEW DELHI FRIDAY FIFTEENTH BOAC 780 AT 0420
PROBABLY ACCOMPANIED BY MY WIFE (STOP) WOULD APPRECIATE YOUR
ALSO INFORMING GILMARTIN AND CONFIRMING ASHOKA RESERVATIONS (STOP)
BOOKED TO RETURN MARCH 23 (STOP) THANKS

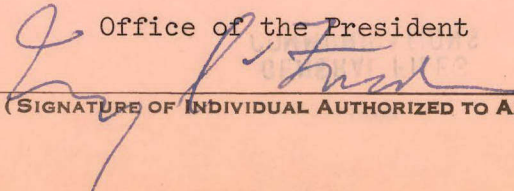
FRIEDMAN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Irving S. Friedman

DEPT. Office of the President

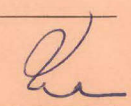
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MAR 7 3 42 PM 1968

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MESSAGE AUTHORIZED BY:

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MAR 7 3 56 PM 1968

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BOOKED TO BRITISH MARCH 53 (SLOP) JHAWKS

WFO INFORMING CITIZENSHIP AND CONFIRMING VENDOR NEGOTIATIONS (SLOP)

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TO: MIM DEPT
INDIVIDUAL

SERVICE
CLASS OF: FORT MILE

DATE: MARCH 1 1968

OUTGOING MIRE

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INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: I.G. PATEL
MINISTRY OF FINANCE
NEW DELHI

DATE: MARCH 7 1968

CLASS OF FULL RATE
SERVICE:

COUNTRY: INDIA

RCH

TEXT:
Cable No.: EYE AND PROBABLY EDNA EXPECT ARRIVE NEW DELHI FRIDAY FIFTEENTH
STAYING ASHOKA LOOKING FORWARD SEEING YOU WARM REGARDS

IRVING

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME

Irving S. Friedman
Office of the President

DEPT.

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NAME

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OFFICE OF THE PRESIDENT
PLANNING & EXECUTION

MAR 7 3 42 PM 1968

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MAR 7 3 56 PM 1968

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TEXT

FOR THE PRESIDENT OF THE UNITED STATES

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MEM DETAIL

MINISTRY OF FINANCE

TO:

T.G. BAKER

SERVICE:

CLASS OF

LEFT FILE

DATE:

MARCH 1 1968

136A

OUTGOING MIB

ASSOCIATION

INTERNATIONAL DELEGATION

(3-51)

Form No. 33

RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR

CORPORATION

INTERNATIONAL FINANCE

(3-51)

Form No. 33

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: RAUL PREBISCH
UNCTAD
NEW DELHI

DATE: MARCH 7 1968

CLASS OF
SERVICE: FULL RATE

R. CA

COUNTRY: INDIA

TEXT: ARRIVING NEW DELHI FRIDAY FIFTEENTH PROBABLY ACCOMPANIED BY
Cable No.: WIFE (STOP) HOPE EARLY CHANCE TO SEE YOU WARM REGARDS

FRIEDMAN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

Irving S. Friedman

NAME

Office of the President

DEPT.

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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Checked for Dispatch: *[Signature]*

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GENERAL FILES
COMMUNICATIONS

GENERAL FILES
COMMUNICATIONS

COLLEGE OF THE DISTRICT OF COLUMBIA

MAR 7 3 42 PM 1968

MAR 7 3 56 PM 1968

LOTT KYLE

OUTDOING MIKE

Report No. 60

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India



Letter No. 60

March 7, 1968

Dear Dick:

On March 4 and 5, Committee Three continued the discussion of the report to UNCTAD of the Inter-governmental Group on Supplementary Finance. I enclose the reports to files on these two meetings prepared by Sarma and Jalan.

I have dealt with the intervention of Cuba in a separate letter. So far as some other important interventions are concerned, I will try to write you a separate letter as soon as possible.

With kind regards,

Sincerely yours,

Arthur

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U.S.A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTERBANK PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ENA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India



Letter No. 60

March 7, 1968

Dear Dick:

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I have dealt with the intervention of Cuba in a separate letter. So far as some other important interventions are concerned, I will try to write you a separate letter as soon as possible.

With kind regards,

Sincerely yours,

Arthur Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development

Washington, D.C.

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Letter No. 16

March 7, 1968

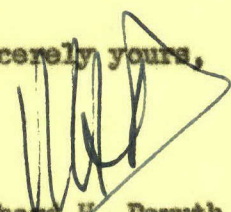
Dear Arthur:

So that you will know that your letters have been arriving, I acknowledge receipt, as of the end of the day on March 6, of letters numbered through 45. We have been channelling them to interested persons in the building, and always to Friedman and Kamarek.

I noted your report, in letter No. 44, that a member of the Yugoslav delegation suggested in Committee Three the possibility of the Bank's adding a "third" lower interest rate for loans to the developing countries with the lowest per capita incomes. It sounds as though he were not aware that the "market eligible" rate structure has been abandoned, so that there is now only one Bank rate, and that the problem of countries with some, but not enough, creditworthiness for Bank loans is handled by providing them with a blend of Bank and IDA financing, the poorer receiving a larger component of credits than of loans. If you think it worth while, you might quietly enlighten the gentleman.

With kind regards,

Sincerely yours,


Richard H. Demuth
Director
Development Services Department

Mr. Arthur Karasz
c/o Resident Representative
IBRD
P.O. Box 416
New Delhi, India

 SEBoskey:tsb

cc: Mr. Consolo

March 6

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



Letter No. 61

March 6, 1968

Dear Dick:

I would like to thank you for your Cable No. 16 which, among others, clarified the relationship between SFM and schemes on commodity stabilization. Your cable was very helpful in today's discussion in Committee Three.

This was the last day of the discussion of the Bank Study on supplementary financial measures. At the end of the meeting, the representative of Ceylon requested the Chairman to ask the World Bank to explain the Bank's ideas on two problems:

1. Export shortfalls and other causes of disruption.
2. The relationship between supplementary finance and commodity stabilization studies.

... I enclose text of the statement made on these subjects by Sarma in the meeting of Committee Three. He had discussed this matter before the meeting with me and, especially as the first part of it (export shortfalls) is a technical matter, I thought it was right that he made the statement to the Committee.

With best regards,

Sincerely yours,

Arthur Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U.S.A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTERBANK PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ENNA, PARIS (16^e) - FRANCE

Telephone - 663-2510



Letter No. 61

March 6, 1968

Dear Dick:

I would like to thank you for your Cable No. 15 which, among others, clarified the relationship between STM and schemes on commodity stabilization. Your cable was very helpful in today's discussion in Committee Three.

This was the last day of the discussion of the Bank Study on supplementary financial measures. At the end of the meeting, the representative of Ceylon requested the Chairman to ask the World Bank to explain the Bank's ideas on two problems:

1. Export shortfalls and other causes of disruption.
2. The relationship between supplementary finance and commodity stabilization studies.

I enclose text of the statement made on these subjects by Sarma in the meeting of Committee Three. He had discussed this matter before the meeting with me and, especially as the first part of it (export shortfalls) is a technical matter, I thought it was right that he made the statement to the Committee.

With best regards,

Sincerely yours,

Arthur Karasz

Arthur Karasz

1968 NOV 11 PM 3:03

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

COMMITTEE III : March 6, 1968

(Statement by Mr. N. A. Sarma, in response to a suggestion by Ceylon from the floor, through the Chairman).

.....

Export Shortfalls and Other Causes of Disruption:

1. The Statistical and Conceptual difficulties in such Study were explained in the inter-governmental group.
2. The attempt to make a quantitative assessment of the relative magnitude of export shortfalls compared with other causes of the disruption of development programs has not been possible. Within the context of the Study on SFM, the relevant concept of shortfalls is the one which related actuals to expectations. With respect to export shortfalls, we had an available body of experience in the Bank which we could use to give some statistical measure to this concept. There are no comparable data pertaining to expectations in respect to aid and private capital flows. We can only observe the actual flows, and year-to-year fluctuations therein. No reliable data are available about private capital flows, and the movements have been erratic; we could, of course, have defined such expectations in an artificial manner, but the results would depend so crucially on the manner of deriving such expectations that the results would not have much validity.
3. We have, therefore, to fall back on a qualitative assessment of the problem. Some relevant considerations in such a qualitative assessment are :
 - (a) Export earnings constitute the major part of the foreign exchange receipts of the less-developed countries, compared with the other categories of receipts.
 - (b) Furthermore, export earnings are the chief source of foreign exchange for most of the developing countries individually, whereas other types of foreign exchange receipts have been highly concentrated in particular countries, especially in the case of private capital flows.
4. It is also useful to consider the relevance of an assessment of the various causes of disruption for policy action. Even if shortfalls in official and private flows were as important in magnitude and disruptive effect as shortfalls in export earnings, it is difficult to imagine what international action can be taken to deal with such shortfalls, especially so in regard to inflows of private capital.
5. In conclusion, the major fact one has always to keep in mind is that their own export earnings constitute the bulk of the foreign exchange receipts of LDC's - some 80 percent. Given the close relationship which exists between investment decisions and foreign exchange availabilities, it is obvious that shortfalls in these earnings can have an importantly disruptive effect on the development process.

N. A. Sarma

COMMITTEE III
.....

: March 6, 1968.

(Statement by Mr. N.A. Sarma in
response to a suggestion by Ceylon
from the floor, through the
Chairman)

SUPPLEMENTARY FINANCE AND COMMODITY STABILIZATION STUDIES

1. References have been made to the Commodity Price Stabilization Studies now in hand, and their connection to S.F.M. As I mentioned earlier in this Committee, it is not possible to anticipate the conclusions of these studies. However, it is the view of the Bank Staff that there is no conflict between commodity arrangements and S.F.M.
2. Progress in negotiating commodity agreements is likely to enable countries to have more accurate expectations of their export prices and, hence, in part of their earnings, on the basis of which to formulate their development programs, and will reduce the cost of supplementary financial measures. This effect would depend on the number of commodities subject to agreements and the operative features of such agreements, especially in regard to export volume. Insofar as commodity agreements on individual commodities seem to take a considerable time to negotiate and conclude, this effect would be correspondingly postponed. In this connection, there are two further points which may be mentioned. Firstly, while commodity agreements may make future prices more predictable, they would not have the same effect on export earnings in so far as they are due to volume changes. Also, even if a large number of commodity agreements are successfully concluded, they are unlikely to cover the total earnings of a country from all its exportable commodities (including invisibles) so that there would still be need for the approach through supplementary financial measures.
3. Just as, more generally, trade promotion and development aid are not mutually inconsistent, commodity agreements and supplementary finance complement each other and are both needed.

N.A. Sarma

March 6, 1968

Dear Dr. Fagley:

Mr. Woods is not in the Bank this morning, but he has asked me to thank you for your letter and your generous comments about his address at the UNCTAD session in New Delhi. It was also very kind of you to send your extremely interesting article on "Christians and an Over-all Strategy of Development."

I personally read this with extra attention, since I am going to attend the Beirut meeting. I am looking forward, too, to the paper which you are helping to prepare particularly for that occasion.

Sincerely yours,

Harold Graves
Associate Director
Development Services Department

Dr. Richard M. Fagley
Commission of the Churches on
International Affairs
World Council of Churches
297 Park Avenue South
New York, N. Y. 10010

cc: Mr. Steckhan

HG:tf

[Handwritten signature]

FORM NO. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP		Date March 6, 1968	
NAME		ROOM NO.	
1. Mr. Friedman ✓		1223	
2. Mr. Kamarek <i>W. Kalmanoff</i>		800	
3. Mr. DeVries			
4. General Files		233	
	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On
REMARKS			
From Shirley Boskey			

unclassified
Mrs. Bosley

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 6, 1968

1750

LOG NO.:

WU 24 / 6

TO:

INTBAFRAD

FROM:

NEW DELHI

ROUTING

ACTION COPY:

MR. DEMUTH

INFORMATION
COPY:

DECODED BY:

TEXT:

17 FOR DEMUTH

COMMITTEE THREE COMPLETED DISCUSSION SFM. MOST LDCS AND SOME DEVELOPED
LIKE SCANDINAVIANS FULLY SUPPORT BANK SCHEME. OTHER LIKE NETHERLANDS
SWITZERLAND UNITED KINGDOM EXTENDED VARYING SUPPORT. HOWEVER IMPORTANT
DEVELOPED LIKE FRANCE GERMANY JAPAN USA EXPRESSED SERIOUS RESERVATIONS
MOSTLY ABOUT ONE OR OTHER OR BOTH ASPECTS

AAA EXPORT PROJECTIONS

BBB POLICY PACKAGE.

ACCORDING THEIR DECLARATIONS TO COMMITTEE THEY WILL HAVE DIFFICULTY
AGREE ANY CONCERTED TEXT CREATION OF NEW SCHEME ALONG LINES BANK STAFF
STUDY. UNLESS UNFORESEEN EVENTS ABOVE MENTIONED DEVELOPED NATIONS WILL
PREFER EXTENSION ON A BROADER BASE OF INTERGOVERNMENTAL GROUP TO DISCUSS
SNM INCLUDING ALTERNATIVE SCHEMES. THIS WILL OF COURSE BECOME ONE OF
HOTTEST ISSUES OF UNCTAD AND NO ONE CAN PREDICT FINAL OUTCOME OF
POLITICAL NEGOTIATIONS. DETAILED REPORT FOLLOWS REGARDS

KARASZ

AS RECEIVED

COMMUNICATIONS
GENERAL LITE
MAR 8 11 32 AM 1968

MAR 6 11 35 AM 1968
GENERAL FILES
COMMUNICATIONS

Headquarters:
Washington, D.C., U. S. A.



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Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÏENA, PARIS (16^e) - FRANCE

Telephone - 553-2510



Letter No. 59

March 6, 1968

Dear Dick:

... I enclose the second progress report on the work of Committee Two (Manufactures) prepared by de Fontenay.

As is indicated in the last paragraph of the report, the work of the contact group has been suspended. The Committee is in serious trouble because there is no agreement on any of the questions. I have asked de Fontenay to prepare a paper explaining in detail the unsettled subjects. I hope to be able to send it to you tomorrow.

With best regards,

Sincerely yours,

A. Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

RECEIVED 11/10/68

1968 MAR 11 PM 9:03

Washington, D.C.
Reconstruction and Development
International Bank for
Director, Development Services Department
Mr. Richard H. Smith

Arthur Kassis

D. H. K.

Sincerely yours,

With best regards,

unsettled subjects. I hope to be able to send it to you tomorrow.
have asked de Fontenay to prepare a paper explaining in detail the
promptly because there is no agreement on any of the questions. I
of the contact group has been suspended. The Committee is in session
as is indicated in the last paragraph of the report, the work

two (manufactures) prepared by de Fontenay.

...

I enclose the second progress report on the work of Committee

Dear Dick:

Letter No. 28

March 9, 1968

Telephone - 223-3210

* VALENTINE D. IENY, BAKIS (IEN) - PRAGUE
EUROPEAN OFFICE:

СНП УЧРЕЖД - ИНТЕРНАЦИОНАЛ БАНК

INTERNATIONAL DEVELOPMENT ASSOCIATION

СНП УЧРЕЖД - ИНТЕРНАЦИОНАЛ БАНК

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C. U.S.A.
Headquarters:

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: FILES

FROM: Patrick de Fontenay *pf*

SUBJECT: UNCTAD II: Second Progress Report on the
Work of Committee II

DATE: March 4, 1968

.....

The Second Committee of the Conference is continuing the discussion of the first item of its agenda, "Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to developed countries."

It has completed its examination of the following topics: duration of the preferential scheme; special provisions for the least advanced developing countries; and existing and reverse preferential arrangements and their relation to the general system of preferences.

1. Duration of the preferential scheme:

The OECD report states that the new preferential scheme is to be temporary and degressive. The developing countries supported by several developed countries urged, however, that the preferential scheme should last as long as was necessary to achieve its objectives and, in particular, to facilitate investment in and export from developing countries. With regard to the degressive aspect of preferences there was general agreement among the LDC's that degressivity decreases the usefulness of the scheme by introducing an undesirable element of uncertainty.

2. Special provisions for the least advanced developing countries:

The Committee appeared unanimous in the feeling that everything possible should be done to enable the least advanced developing countries to secure a fair share of the benefits accruing from a system of general preferences. The LDC's pointed out that the special measures proposed in the Charter of Algiers to assist the least advanced countries would have to form part of the general system of preferences and, in particular, that the scheme adopted would have to last sufficiently long to enable those countries to establish export industries. They emphasized the need to include processed and semi-processed agricultural products in the system since the least advanced countries would otherwise derive no immediate advantage from the scheme. They also said that the escape clause should not be applied to the particularly uncompetitive products of the least advanced countries and that permanent machinery should be set up for periodically reviewing the effectiveness of the preference system from the standpoint of those countries. They also proposed supplementary measures under which the developed countries would provide technical assistance to the least advanced countries and that the international financial institutions should provide additional financial resources for their public and private sectors on more flexible terms.

The developed countries observed that the fact that there was no special section on the least advanced countries in the OECD Report did not mean that no special benefits were to be accorded to those countries. Some of them stressed the need to define the least advanced countries because the special measures to be taken in their favour would differ according to whether they were applied to a qualitatively restricted group, or to all the LDC's with only a few exceptions. France suggested that one possible way of dealing with the problem would be to terminate preferences for those countries whose products had become competitive. A number of developed countries pointed out that in the case-by-case examination of processed and semi-processed primary products they would take the special interests of the least developed countries into account. Further, in regard to the duration of the system of preferences, the industrialized countries would maintain a flexible attitude, and decisions in regard to escape clause action would be taken with due regard to the situation of the least advanced countries.

3. Existing and reverse preferential arrangements:

The majority of Committee members agreed that the general preference system should ensure at least equivalent advantages for the developing countries which enjoyed preferences in certain developed countries. The Charter of Algiers explicitly called for adequate compensation to those countries whose preferences would be absorbed into the general scheme. It was nevertheless recognized that at the present stage of the discussion it was impossible to say exactly how far the general system would be capable of providing such advantages.

A number of developed and developing countries expressed the opinion that the general preferences system should gradually absorb existing preferences. Some developing countries expressed the opinion that it would be necessary to start on the assumption that the developing countries would receive advantages from the new scheme at least equivalent to those they enjoyed at the present time. Once the details of the system were known, the question of compensation for loss caused by the abolition of the existing preferences could be examined.

Concerning reverse preferences, granted in the markets of some developing countries to some developed countries, France, supported by some African countries stated that the question was of secondary importance and should be settled among developed countries, but that the reverse preferences granted under the Yaounda Convention were bound with provisions concerning financial and technical assistance. The U.S. supported by the Nordic countries, the socialist countries and some other developed countries, favoured the abolition of the reverse preferences. Interestingly enough, the representative of the Netherlands indicated that although his country enjoyed reverse preferences under the Yaounde Convention which expired in a year's time, it would use its influence in the EEC to ensure that the principle of the abolition of reverse preferences would be adopted.

The U.S. delegate said that the Latin American countries had repeatedly urged the United States to redress their situation as the only major area of the world without preferences in any major world market. There were only two broad ways of responding to that appeal, a generalized system designed to put all developing countries on an equal footing in all industrialized country markets, or further proliferation of special arrangements. The U.S. believed that the former was the more desirable course of action.

It was announced on March 1, that the Contact Group of the Second Committee had been temporarily suspended. Some developing countries had already recognized in the Committee that the developed countries needed more time to settle between themselves the details of the scheme, the principle of which they had adopted only last November.

cc: Mr. Karasz (2)
Mr. Sarma
Mr. Jalan

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÏENA, PARIS (16^e) - FRANCE

Telephone - 553-2510



Letter No. 58

March 6, 1968

Dear Dick:

...
...

I enclose Sarma's summaries of the meetings of February 28 and 29 on Committee Three. The meetings dealt with growth, development finance and aid (Agenda item 12). Suppliers' credits were brought up by the representative of Spain. As was to be foreseen, he requested the Bank and other international agencies (particularly the Department of Economic Affairs of the UN) to speed up their study on export credit facilities by developing countries. Belgium had mentioned the same question and brought up the IDB experience on this subject. (The intermediary answer by the Economics Department had been distributed in the meantime as a Conference document).

... As reported in my letter No. 45, Mermolja's introductory statement on supplementary finance was delivered at the end of the meeting of February 28. I enclose with this present letter the entire text of his statement (TD/II/C.3/L.9).

With best regards,

Sincerely yours,

A, the

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Washington, D.C.
Reconstruction and Development
International Bank for
Director, Development Services Department
Mr. Richard H. Dennis

Arthur Katsas

Sincerely yours,

With best regards,

His statement (ID/IT/C*3/P*d)*
February 58* I enclose with this present letter the entire text of
on supplementary finance was delivered at the end of the meeting of
as reported in my letter No* 12* Meriwilla's introductory statement

in the meantime as a Conference document)*
intermediate answer by the Economic Department had been distributed
same question and prompt by the IDB experience on this subject* (The
credit facilities by developing countries* Belgium had mentioned the
of Economic Affairs of the UN) to speed up their study on export
the Bank and other international agencies (particularly the Department
by the representative of Spain* As was to be foreseen, he requested
finance and aid (Agency from IS)* Subjects, credits were prompt
SD on Committee three* The meetings dealt with Group's development

I enclose Garza's summaries of the meetings of February 58 and

Dear Dick:

Letter No* 28

March 6, 1958

Telephone - 223-3210

V. VALENTIN D. DIAZ, BAKIS (DE) - FRANCE
EUBOEVAN OFFICE:

CHE V. VALENTIN - INDELAGS BAKIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHE V. VALENTIN - INDELAGS BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



26 P

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION
Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:
4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE
Telephone - 553-2510



Letter No. 57

March 6, 1968

Dear Dick:

In the meantime, you must have received my letter No. 48 on an important draft resolution being discussed between the two main groups of the Conference.

I would like to emphasize that I reported only about a draft and that there is no resolution yet in sight. On the contrary, it might happen that entire paragraphs or even entire chapters of the draft will never be submitted to the Conference as such. This will depend on the negotiations being held at present among representatives and/or groups.

I tried to explain to several key representatives of India, Pakistan and Latin America, the structure of the Bank and how important it was for us to be able to raise funds on the market. In short. I tried to explain to them that the less they talk about the Bank as a fund-raising institution the better it is; that the money market is a very complicated institution and it would not help in any way if we frightened the potential investors.

I got promises that they would keep these ideas in mind. I hope they will succeed.

With best regards,

Sincerely yours,

A. Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U.S.A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ENNA, PARIS (16^e) - FRANCE

Telephone - 853-2510

Letter No. 57

March 6, 1968

Dear Dick:

In the meantime, you must have received my letter No. 48 on an important draft resolution being discussed between the two main groups of the Conference.

I would like to emphasize that I reported only about a draft and that there is no resolution yet in sight. On the contrary, it might happen that entire paragraphs or even entire chapters of the draft will never be submitted to the Conference as such. This will depend on the negotiations being held at present among representatives and/or groups.

I tried to explain to several key representatives of India, Pakistan and Latin America, the structure of the Bank and how important it was for us to be able to raise funds on the market. In short, I tried to explain to them that the less they talk about the Bank as a fund-raising institution the better it is; that the money market is a very complicated institution and it would not help in any way if we frightened the potential investors.

I got promises that they would keep these ideas in mind. I hope they will succeed.

With best regards,

Sincerely yours,

Arthur Karasz

1968 MAR 11 PM 8:53
Mr. Richard H. Dornth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India



Letter No. 56.

March 6, 1968

Dear Fred:

Please refer to your letter No. 13, dated February 28.

Roberta Lusardi was right when she spoke about the creation of "contact groups" in the Conference. In the meantime, you might have seen my letter No. 42 in which I talk about the same subject, and about the rather complicated structure of the Conference.

In this letter I can only confirm to you that there are contact groups for each Committee. The contact group is nothing but a committee with a reduced number of members. The idea is that, in this way, the very opposing views of the groups can be more easily discussed. Unfortunately, the contact groups are also too large so soon there will be "super contact groups", etc.

There also exist five drafting committees consisting of the Rapporteur and his friends. No contact group has yet been established for the Plenary. I am pretty sure there will soon be one, including "key figures". It is only my guess for the time being that among "key figures" we shall certainly find K.B. Lal, Jolles (if he returns) and one or two representatives of Latin-America and Africa.

I shall report again as soon as I know more about this matter.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

Mr. Federico Consolo
Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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INTERNATIONAL DEVELOPMENT ASSOCIATION

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4, AVENUE D'ENNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India



Letter No. 50.

March 6, 1968

Dear Fred:

Please refer to your letter No. 13, dated February 28.

Roberta Inasardi was right when she spoke about the creation of "contact groups" in the Conference. In the meantime, you might have seen my letter No. 12 in which I talk about the same subject, and about the rather complicated structure of the Conference.

In this letter I can only confirm to you that there are contact groups for each Committee. The contact group is nothing but a committee with a reduced number of members. The idea is that, in this way, the very opposing views of the groups can be more easily discussed. Unfortunately, the contact groups are also too large so soon there will be "super contact groups", etc.

There also exist five drafting committees consisting of the Rapporteur and his friends. No contact group has yet been established for the Plenary. I am pretty sure there will soon be one, including "key figures". It is only my guess for the time being that among "key figures" we shall certainly find K.B. Lal, Jolles (if he returns) and one or two representatives of Latin-America and Africa.

I shall report again as soon as I know more about this matter.

With best regards,

Sincerely yours,

Arthur Karsaz

Mr. Federico Conzolo
Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



Confidential

c/o Ashoka Hotel, New Delhi, India

DECLASSIFIED

Letter No. 55

March 6, 1968

JUN 24 2024

Dear Fred:

.WBG ARCHIVES

I received your interesting letter No. 10, dated February 23, with its annex the memorandum by Leonard Rist on his visit to Romania. In my present letter, I would like to report about two subjects: (1) the Romanians, and (2) the Hungarians.

1. Last week, before the return of Voloseniuc to Bucarest, we had another luncheon-meeting with the Romanian delegation. This time Edgar Jones was also present and as I had explained the Bank's role at our first meeting most of the luncheon was spent dealing with problems relating to the Fund. Edgar explained a series of technical matters. I am sure the Romanians knew these details very well from their own documentation, and from previous conversations with the Fund officials. They just wanted to hear it, also, from another side; this is generally their style.

They seem to feel very uncertain about the timing of any action they might take with the Fund and the Bank. They repeated the question they had asked me at our first luncheon: What does Edgar Jones think about the reaction of the Board if Romania submitted an application to the Fund? Does he think that it would be a good idea for Romania to take such initiative in the course of 1968, that is, before the elections in the United States?

As you remember, they had asked me the same question on a previous occasion.

Neither Edgar nor I could give them any satisfactory answer.

Voloseniuc left one day later. I have the distinct impression that they are intrigued by the Bretton Woods institutions, but are not yet ready to submit an application.

Mr. Federico Consolo
Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

.../...



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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Telephone - 553-2510



Confidential

c/o Ashoka Hotel, New Delhi, India

DECLASSIFIED

March 6, 1968

Letter No. 52

JUN 24 2024

WBG ARCHIVES

Dear Fred:

I received your interesting letter No. 10, dated February 23, with its annex the memorandum by Leonard Rist on his visit to Romania. In my present letter, I would like to report about two subjects: (1) the Romanians, and (2) the Hungarians.

I. Last week, before the return of Volosening to Bucarest, we had another luncheon-meeting with the Romanian delegation. This time Edgar Jones was also present and as I had explained the Bank's role at our first meeting most of the luncheon was spent dealing with problems relating to the Fund. Edgar explained a series of technical matters. I am sure the Romanians knew these details very well from their own documentation, and from previous conversations with the Fund officials. They just wanted to hear it, also, from another side; this is generally their style.

They seem to feel very uncertain about the timing of any action they might take with the Fund and the Bank. They repeated the question they had asked me at our first luncheon: What does Edgar Jones think about the reaction of the Board if Romania submitted an application to the Fund? Does he think that it would be a good idea for Romania to take such initiative in the course of 1968, that is, before the elections in the United States?

As you remember, they had asked me the same question on a previous occasion.

Neither Edgar nor I could give them any satisfactory answer.

Volosening left one day later. I have the distinct impression that they are intrigued by the Bretton Woods institutions, but are not yet ready to submit an application.

Mr. Federico Gonzalo
Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

This happened last week. In the meantime, there were the events of the Conference in Budapest. No-one can foresee what this will mean for the future fate or the future policy of Romania.

2. This week was the turn of the Hungarians. I had dinner with the delegation (Nyerges, head of the delegation, and Eross, representative in Committee Three).

I knew them both but, nevertheless or maybe just because of that, the atmosphere was somewhat tense at the beginning of the dinner. Incidentally, the tension might have been due, also, to the Budapest Conference because we happened to dine on the day on which Romania excluded herself from that meeting. I did not know it on that evening, but I can easily imagine that the Hungarians were already informed.

After a long and quite inconclusive conversation on general subjects of UNCTAD, Eross suddenly brought up Bretton Woods. He got very excited and explained to me that they are in an extremely difficult position because "they" (he means he and people of the same "liberal" opinions), have made great efforts to convince their government and public opinion about all the advantages of the World Bank, especially about its "universality", i.e., the Bank would be the best meeting place for East and West.

All this has been ruined, he continued, by the events of the last months. It has become clear to the rulers in Budapest that the World Bank is an instrument of the Americans and, therefore they (Eross and company) are in trouble. What he was explaining to me was that they were less ready to talk with us than some time ago. It often happens in Communist tactics that after having made one-half or one step forward they suddenly step back again. The reason might be a sudden wind from the North, or their present discussion with the Romanians. (Incidentally, the Hungarians are quite well informed about the recent steps taken by the Romanians, whom they dislike intensely).

Thus, it was an unsatisfactory meeting and it was not clear at all why it had been initiated. I did not discuss their allegations concerning the so-called American orientation of the Bank, but limited myself to explaining that we are ready to give any information they might need. I told them about Leonard Rist and where he could be reached.

Would you please inform him about the above?

With best regards,

Sincerely yours,

Arthur Karasz

Arthur Karasz

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

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Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

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Telephone - 553-2510

c/o Ashoka Hote, New Delhi, India

Mrs. Boskey
W.B.



DECLASSIFIED

JUN 24 2024

WBG ARCHIVES

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Letter No. 54

March 6, 1968

Dear Dick:

As you will see from the daily reports of Sarma and Jalan, Committee Three is concentrating its work on supplementary finance.

There was rather an unpleasant incident when the representative of Cuba took the floor and made a statement against the scheme of the Bank. He tried to be funny and said among other things that SFM was a "financial miniskirt which only accentuates the financial nudity of those who receive assistance from it". Thereafter, he made a personal attack against Mr. McNamara and his role as Secretary of Defense.

The Chairman of the Committee tried to minimize the importance of the statement by the representative of Cuba, and made it appear more as a sort of joke.

It was rather difficult for us to decide whether we, as the Bank delegation, should or should not do something about the Cuban statement dealing with the person of Mr. McNamara. Finally, I decided it was better for us not to do anything, first, because Mr. McNamara will not become President of the Bank until April 1 and, second, if I had said anything in the Committee it would only have pleased the Cuban delegate who would have answered with another hour's speech.

What I did, however, was to mention it once more to Everts yesterday morning and left it to his discretion whether he would revert to the statement as Chairman of the Committee. Everts understands the problem very well and will think it over. I do not think he will revert to this matter again, probably for the same reason as I did not.

I enclose a somewhat incomplete clipping on the incident from "The Statesman", India, dated March 5, 1968.

Sincerely yours,

A.K.

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
IBRD, Washington, D.C.

INTERNATIONAL DELEGATION D.C.
Director's Development Services Department
Mr. Eugene H. Demuth

ALFRED KATZ

Sincerely yours,

"The Statesman" Inds. dated March 2, 1968.

I enclose a somewhat incomplete clipping on the incident from
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were as a sort of joke.

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The Chairman of the Committee tried to minimize the importance

of defense.

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was a "financial" minister which only accentuates the financial
the Bank. He tried to be funny and said among other things that SEM
of Cuba took the floor and made a statement against the scheme of

There was rather an unpleasant incident when the representative

Committee tries to concentrate its work on supplementary finance.
As you will see from the daily reports of Garm and Jan,

Dear Dick:

Letter No. 21

March 2, 1968

c/o Varokas Hotel, New Delhi, India

Telephone - 223-3210

* VALENTINE D. DEIV, BAKIS (192) - KAVAGE
EUBOKEVI OFFICE:

CHIEF OFFICE - INDELAIS BAKIS

INTERNATIONAL DELEGATION ASSOCIATION

CHIEF OFFICE - INDELAIS BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



MBC ARCHIVES

700 3 4 5054

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A MINI-FINANCE SCHEME

The Cuban delegate on Monday described the supplementary finance scheme prepared by the World Bank staff as a "financial miniskirt which only accentuates the financial nudity of those who receive assistance from it," reports PTI.

Speaking in the third committee of UNCTAD, amidst laughter, he said: "This miniskirt is indecent and indecorous for those who use it and worse when it is tailored by McNamara."

Mr Robert McNamara, former U.S. Defence Secretary, is to take over as President of the World Bank.

Ex "The Statesman", India

March 5, 1968

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

Handwritten signature: Mrs. Boskey
Handwritten initials: MN 1582
Handwritten signature: [illegible]

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 6, 1968

2000

LOG NO.:

WU 19 / 6

TO:

INTBAFRAD

FROM:

NEW DELHI

ROUTING

ACTION COPY: MR. DEMUTH

INFORMATION
COPY:

DECODED BY:

TEXT:

16

REURLET NUMBER 7 *✓* REPORT AIRMAILED ON FIRST MONTH OF CONFERENCE
FOR PRESENTATION TO BOARD REGARDS

KARASZ

IR

COMMUNICATIONS
GENERAL FILES
MAR 8 10 35 AM 1968

Mar 6 10 32 AM 1968
GENERAL FILES
COMMUNICATIONS

TYPED

1950-1951

Letter No. 15

March 5, 1968

Dear Arthur:

I am replying to your letter No. 38, to Dick, dated February 28, in which you inquire about the letter numbering system. Numbers on letters to you, no matter who writes them, are provided seriatim by Communications. Irving's letter No. 2 of February 5 is presumably the second letter sent to you at the Conference originating in the Bank. Letter No. 1 was dated January 30, and was written by me. I enclose a copy. Since I assume it arrived, I shall try not to draw any inferences uncomplimentary either to me or to you from the fact that it apparently made no impression and indeed, may even by now have disappeared.

Yours sincerely,

SEB

Shirley Boskey
Development Services Department

Mr. Arthur Karasz
C/o Ashoka Hotel
New Delhi
India

SEB:mmcd

ack March 14/68

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

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4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi

SEB
Arthur's proposal
seem sensible to me. If you
+ IMF agree,
advise him



Letter No. 53

March 5, 1968

Dear Dick:

I refer once more to your letter No. 7. ✓

So far as the form of the report is concerned, there was some delay in the receipt of the model which the Fund had sent to Edgar Jones and I only saw it this evening after having already mailed the report. Nevertheless, I don't think there will be any trouble, because the form we have given it is about the same as that used in 1964.

In 1964 we also prepared a second interim report, towards the end of the second month of the Conference. Do you think we should do the same this time? In the affirmative, I would suggest that we prepare the report as of March 16, which is the deadline for the work of the five committees. March 18 - 25 will be used for plenary meetings and I suggest I report on that last week, following the conclusion of the Conference, after we have received the Final Act and all other necessary documentation.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

acc. March 12/68

Washington, D.C.

Reconstruction and Development
International Bank for
Director's Development Services Department
Mr. Richard H. Smith

Alfred Kelsa

Sincerely yours,

With best regards,

and all other necessary documentation
conclusion of the conference, after we have received the final AGF
meetings and I suggest I report on that last week, following the
work of the five committees. March 13 - 22 will be used for generally
we prepare the report as of March 10, which is the deadline for the
do the same this time. In the alternative, I would suggest that
end of the second month of the conference. Do you think we should
in 1981 we also prepared a second interim report, towards the

1981*
because the form we have given it is about the same as that used in
the report. Nevertheless, I don't think there will be any trouble,
Jones and I only saw it this evening after making several matters
delay in the receipt of the model which the Bank had sent to Edgar
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I refer once more to your letter No. 1.

Best Dick:

Letter No. 23

March 2, 1988

40 Varokas Hotel, New Delhi
Telephone - 223-2210

4, VALENTINE D'ENIA, BAKIS (P.R.) - FRANCE
EUROPEAN OFFICE:

СНП УЧРЕЖД - ИНДЕЛВБ БУКІС

INTERNATIONAL DEVELOPMENT ASSOCIATION

СНП УЧРЕЖД - ИНДЕЛВБД БУКІС

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Report No. 52

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India



Letter No. 52

March 5, 1968

Dear Dick:

Working Party No. 2 deals with regional integration.

As reported in my letter No. 43, at the request of the Working Party, I made a statement on the Bank's activities in this respect on February 29. On that same day, Edgar Jones spoke on behalf of the Fund. I enclose a copy of the text of his statement for the files.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

1988 MAR 11 11:02

Washington, D.C.
Reconstruction and Development
International Bank for
Director, Development Services Department
Mr. Richard H. Bennett

Arthur Karsas

4/4/88

Sincerely yours,

With best regards,

of his statement for the Times
above on behalf of the group. I enclose a copy of the text
this request on February 28. On that same day, Edgar Jones
working party, I made a statement on the Bank's activities in
as reported in my letter No. 13, at the request of the
working party No. 5 and with regional integration.

Dear Dick:

Letter No. 25

March 2, 1988

c/o Ashoka Hotel, New Delhi, India

Telephone - 223-3210

4' YLEINIE D.IENY' BYKIS (198) - KVAUCE
BOKOBEVI OFFICE:

СНП УПРАВ - ИНТЕРНАЦИОНАЛ

INTERNATIONAL DEVELOPMENT ASSOCIATION

СНП УПРАВ - ИНТЕРНАЦИОНАЛ

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C., U.S.A.
Headquarters:

258

International Monetary Fund Statement to UNCTAD II

Working Party II, February 29, 1968

Trade Expansion and Regional Integration

Mr. Chairman:

We, in the Fund, were glad to see this item on the agenda of the Conference and to find a working group set up to discuss this subject specifically. It is to be hoped that the mutual exchange of views will enable delegates to return to their countries with a fuller knowledge of the range of problems involved and a better understanding of how to overcome them. The initiation and formulation of regional integration schemes must, of course, be left to the countries concerned, though it is understandable that they would like to know what kind of assistance or safeguards might be available, before embarking on policies which in the first instance appear to weaken their own position.

I shall divide my statement into two parts, the first deals with economic integration in general and the second more specifically with payments arrangements. In regard to the first part, my remarks will be based in large measure on an address by the Deputy Managing Director of the Fund, Mr. Southard, last August at a meeting sponsored by the Executive Secretariat of the Central American Union. Mr. Southard's views reflect those of the Fund staff and I would like to repeat some main points in this working group.

Our attitude on certain basic features of regional integration efforts can be delineated as follows: Economic integration involves several

important basic elements. There are certain basic issues and problems which must be dealt with no matter whether the area is Central America or Western Europe. A list of these would include the following:

(a) The unification of markets which, of course, involves reduction and final elimination of internal tariffs, and the harmonization of external tariffs. This is likely to involve a number of collateral issues such as coordination of patent laws, copyrights, handling of trade marks, pricing systems, and so on.

(b) Coordination of investment within the area. Of course, much investment may be allowed to proceed with little or no coordination by the central authorities. But in an area such as Central America, the planning and placement of major industrial units necessarily involves coordination of the most delicate sort.

(c) There is a compelling and growing need for integration of monetary policy. This means gradual synthesizing and strengthening of money markets on an area-wide basis, a coordination of interest rate policy as between central banks and hence as between the money markets, the harmonious application of policy relating to the allocation of credit, e.g., reasonable harmony in any priorities which may be set up in credit allocation.

(d) Gradual development and coordinated application of incomes policy, particularly wage policy.

(e) Systematic and intensive development within the entire area of external policies and practices which will adequately integrate

the regional units. This means the harmonious approach to balance of payments management, par values and effective exchange rates which are consistent in terms of relative cost and prices in the member countries.

Within this range of issues and problems there is a large area in which the Fund can give fruitful collaboration with those of its members who are endeavoring to work out economic integration.

The Fund performs its greatest service--and here I am quoting from Mr. Southard's address--to integration movements by the general tenor of the advice it gives individually to countries within its membership joined in such integration movements. Those who are engaged in efforts to harmonize economic policies within common markets are soon confronted with the dynamics of this harmonization process. They are bound to discover sooner or later that a removal of barriers to trade and payments within the region can be frustrated by excessive variations of exchange rates of common market currencies. Once the problem of exchange rates is given due consideration, the realization does not lag far behind that monetary and credit policies need to be coordinated for the sake of stable balance of payments conditions. And effective coordination of monetary and credit policies may well be contingent on a certain harmonization of fiscal policies, which is frequently also desirable on its own merit. The task of policy harmonization has extremely broad and complex ramifications.

The Fund would find no difficulty in gearing its advice ... "to its members associated in common markets more explicitly toward the purposes and needs of the integrated community, as long as there remains the fundamental harmony between the Fund's policies with respect to world interchange

of goods and services and the world flow of capital and the attitude of the community toward those same matters. As regards the use of its resources, the Fund is not likely to find any difficulty in accommodating its policies to the needs of its members which are associated in common markets. If any of those members come under special balance of payments stress as a result of transitional adjustments arising out of integration, use of the Fund's resources is quite appropriate. Of course, it goes without saying that the member must meet the Fund's broad criteria for use of resources."

Turning now to regional payments arrangements, we have in the past been ready to express our views and actively participated in discussions on this subject. There is a continuing, and it would seem, a growing interest in regional payments arrangements, i.e., simple clearing arrangements, simple payments unions, reserve fund arrangements, and full-scale monetary unions. The Fund also participated in the Expert Group on Payments Arrangements Among the Developing Countries for Trade Expansion set up by the UNCTAD. In the UNCTAD Secretariat report (TD/15) there are two paragraphs on which I would like to make some brief comments. The first is paragraph 60 which, to refresh your memories, I will quote:

"Payments arrangements to cushion temporary imbalances resulting from trade liberalization commitments could be much more effective if they could rely for their credit facilities on a central fund that would be financed not only by the member countries but also by external contributions. For example, the United States initial contribution to the European Payments Union was an important factor in setting the whole

system to work and lubricating its mechanism, and this had been an important prerequisite for the rapid expansion of intra-European trade in the postwar period. According to two UNCTAD expert groups, analogous contributions by developed countries to such funds would represent an efficient use of development finance. Care might at the same time be taken to ensure that these resources are not used to facilitate the continuation of inadequate internal monetary policies. In addition, the expert groups recommended that the International Monetary Fund should take special account of the payments problems posed by trade expansion among developing countries, and should consider sympathetically, on a case-by-case basis, requests for increase in quotas that might be appropriate in the light of such trade expansion. Since the fear of possible exchange risks may be one of the major factors behind the reluctance of developing countries to enter into programmes of liberalization of their mutual trade, the availability of assistance from the IMF or other institutions may serve to generate greater interest for trade expansion measures in general, and regional cooperation in particular, among developing countries. Payments arrangements have the additional advantage of serving as a focus in making a start in the indispensable monetary cooperation among developing countries desirous to form a multinational market."

The Fund's policy in regard to requests for individual quota increase is well known and may be illustrated by a quotation from the original (1963) Board decision on compensatory finance, as follows: "The quotas of many primary exporting countries, taken in conjunction with a reasonable use of their own reserves, are at present adequate for dealing with export

fluctuations such as have occurred during the past decade. In those instances, however, where adjustment of the quotas of certain primary exporting countries, and in particular of countries with relatively small quotas, would be appropriate to make them more adequate in the light of fluctuations in export proceeds and other relevant criteria, the Fund is willing to give sympathetic consideration to requests for such adjustment."

From 1963 to the end of 1967, 23 developing countries have applied and obtained special increases in their quotas thus raising their total quotas from \$392.25 million to \$895.25 million. At the end of 1967 there were also four applications pending by developing countries for increases in quotas for an aggregate of \$150 million to \$249 million. When these applications have been processed, total quotas of 27 developing countries will have been increased from \$742.25 million to \$1,144.25 million.

I now turn to paragraph 84 of the same report which invites a response from the IMF. The paragraph reads as follows:

"The question of whether developing countries should create among themselves multilateral payments arrangements combined with credit facilities has remained unsettled for many years. The negative attitude of international monetary authorities toward certain types of payments arrangements may have discouraged some developing countries from envisaging approaches that would have enabled them to be more forthcoming in mutual trade liberalization efforts. The attitudes in this respect may, however, have evolved to some extent. If this were the case, it would be useful to obtain at the second Conference some formal confirmation of such an evolution so that developing countries no longer feel inhibited, but rather are encouraged to consider concrete schemes. In this context also, the question of granting to developing countries, in connexion with trade liberalization efforts among themselves

special drawing rights under the IMF may also be examined, as well as other possible forms of payments arrangements."

I suppose it is safe to assume that the phrase "the negative attitude of international monetary authorities" is a reference to the IMF. It would have been helpful to have some indication as to what kind of negativeness the authors had in mind. Perhaps it was a reference to our inability to put up funds for institutional regional use in which case we had to be negative. As I mentioned earlier, the Fund authority is confined to financing its individual member countries. If the reference is to Fund opinion or advice to countries, during the past, which were considering the setting up of the regional payments arrangements, then the advice could have been at the time negative in character; not because of any doctrinal attitude, but because individual country positions in the region were so diverse as to make it virtually impossible to operate a feasible payments union. It is recognized in literature on this subject and from operative experience that one or two countries with persistent deficits can cause great difficulties in operating a payments scheme. In such cases we pointed to the need to make adjustments before hand to bring relative costs or prices more into line before setting up a payments union. In situations less serious, we recommended clearing unions with their greater flexibility rather than payments unions. We would have been failing in our objectiveness as monetary experts had we encouraged countries to go ahead with financial arrangements of unstable character which could have retarded rather than advanced the integration process.

As for assisting countries contemplating trade liberalization efforts, the Fund has done this in several cases. If a member country is concerned about the increase in imports and consequent decline in reserves as the result of import liberalization measures, it can freely put its case to the Fund for a drawing or stand-by so as to safeguard its reserve position.

There is a recognition of the Fund's positiveness rather than negativity on this subject in the recommendations of the Seminar of Financial Aspects of Trade Expansion in the ECAFE Region Conference paper TD/II/ECII/L.5-- a Seminar which the Fund attended. In paragraph 40 it is stated "In the application of any discretionary lending scheme regional criteria and policy conditions should be co-ordinated with those of the International Monetary Fund and should benefit from its long and valuable experience in this respect. The assistance of the Fund should also be sought in the practical operation of the system;" and at the end of paragraph 54 it is further stated "In this connexion the Seminar expressed its appreciation of the offer made by the International Monetary Fund to assist the regional member countries of ECAFE in the formulation of practical schemes of regional monetary co-operation."

Headquarters:
Washington, D.C., U. S. A.



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c/o Ashoka Hotel, New Delhi,
India

Letter No. 51

March 5, 1968

Dear Dick:

I enclose progress report, prepared by Jalan, of the meeting of Committee Three (Financing) held on March 1, 1968.

The meeting dealt with supplementary finance and heard among others the statement by Argentina, on behalf of the Latin-American countries, expressing support for the supplementary financing scheme of the Bank Staff.

It was at this meeting that the Bank was requested to state the timetable of the programme on the Rio Study. I reported to you on this matter in my letter No. 46.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

Mr. Richard H. Demuth
Director
Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U.S.A.



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c/o Ashoka Hotel, New Delhi,
India

March 5, 1968

Letter No. 51

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With best regards,

Sincerely yours,

Arthur Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director
Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

RECEIVED 11 APR 1968

UNCTAD II : COMMITTEE III

March 1, 1968

The discussions on the Supplementary Financial Measures began today in Committee III. Ceylon, Argentina, India and Malaysia made general statements. All of them endorsed the essential elements of Bank Staff Scheme and urged an early agreement in principle in the Committee.

Ceylon suggested that an agreement on Supplementary Financial Measures was necessary concurrently with a likely agreement on preferences; many of the less developed countries were unlikely to gain much from the later concession. Progress in the Commodity field was likely to be extremely slow. This Scheme was compatible with commodity agreements and organization of markets.

The Committee and the Conference could agree on the essential ingredients of Supplementary Finance Scheme as proposed by the Bank Staff. The Conference should then request the inter-governmental group to convene immediately and proceed with the solution of unresolved questions pertaining to the scheme, and on the basis of the broad guidelines adopted by the Conference draft the scheme to be considered at the 7th Meeting of the Trade and Development Board. The agreed scheme could then be sent for appropriate action to the Board of Governors of the World Bank which would presumably be the Agency administering the Scheme. If all went well, the Scheme should be operable in 1970. Actual disbursements would, however, begin somewhat later.

Argentina, speaking on behalf of all Latin American countries, expressed full support of the countries to the joint statement of the developing countries made at the last session of the inter-governmental group (which has been circulated as a Conference document) and urged the developed countries to take immediate action on this Scheme. Argentina said that there was a wide measure of agreement on the following points: (a) It is desirable to have a scheme of Supplementary Financial Measures; (b) At present no mechanism of this kind exists; (c) Resources for supplementary Financial Scheme would be additional to basic finance; (d) The Scheme suggested by the Bank Staff was a feasible solution to the problems under consideration.

As such, the Latin American countries would expect the developed countries to support the Scheme for Supplementary Financial Measures, the principle of which had already been

(continued .. 2)

agreed to in the First Conference. Further, the developed countries should also make it known to the Conference when they would want this scheme to begin operations. The Latin American countries expected a definite answer from the developed countries on this item.

Malaysia said that it had placed much hope in Resolution A.IV.18 which was passed at UNCTAD I, and in the excellent study prepared by the Bank Staff in response to this Resolution. It was, however, disappointed at the unwillingness of some developed countries to commit themselves to the scheme. It felt that the Bank Staff Scheme was feasible, and adequate to deal with the problem under consideration. It therefore suggested that the Executive Directors of the World Bank should be invited to draw the final report of the Scheme for Supplementary Financial Measures to be submitted to their Board of Governors as soon as possible.

India (Ambassador Swaminathan) said that the stand of the developing countries on Supplementary Financial Measures, with which India fully agreed, was expressed in the joint statement of the LDC's. The Scheme filled an important gap in international machinery; this was compatible with the Scheme for Market Organization, since if a scheme for Market Organization came into existence this would be taken into consideration in making the export projections by the developing countries. The developing countries had further agreed in the inter-governmental group that the scheme should not be open-ended and that there should be some provision for rationing. So far as policy understanding is concerned, the Bank, the I.M.F. and other international financial institutions had already had considerable experience and a workable solution consistent with national sovereignty could be found.

India appealed that the Conference should make a unanimous declaration in favour of the Supplementary Financial Measures. Such a scheme should be based on the main elements of the Bank Staff Scheme. It should be finalized within the machinery of the UNCTAD, and should come into existence by 1970.

Before the general statements, on Supplementary Financial Measures, the U.K. had requested the Bank and the Fund representatives to make statements on the progress already made on the Bank-Fund Commodity Study, and the precise date when this Study was expected to be completed.

(continued .. 3)

Tanzania, Ceylon and other delegations also felt that it would be useful for the Committee to have an idea of the time when this study was expected to be completed. In response to the suggestion by the Chairman that the Bank and the Fund should make such a statement, Mr. Sarma, on behalf of the Bank, and Mr. Jones, on behalf of the Fund, indicated to the Committee the nature of the Study being undertaken, and also the wish of the Board of Governors that this Study should be completed, if possible, by the time of the next Annual Meeting. They, however, pointed out that it was too early to say precisely when this Study would be completed. Nor was it possible, at this time, to give an idea of the scope of this Study beyond what was suggested in the resolution. There was some dissatisfaction expressed by the U.K., Bolivia and Ceylon at the fact that the Bank and the Fund could not give a more precise answer to the question of timetable of the Study.

The Chairman suggested that the Bank and the Fund representatives let the Committee know of anything further they could find out in this regard from their Head Quarters.


B. N. Jalan

cc: Mr. Karasz (2)
Mr. Sarma
Mr. de Fontenay

Headquarters:
Washington, D.C., U. S. A.



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Letter No. 50

March 5, 1968

Dear Dick:

Enclosed please find the third progress report on the work of Committee I (Commodities) prepared by de Fontenay.

In paragraph A(c), he mentions the draft resolution, introduced by France, on the stabilization of commodity prices. The draft also mentions the "Rio Study" of the Bank and Fund, and emphasizes the importance of assistance from the international institutions in helping to solve certain financing problems such as buffer stocks, etc.

I enclose a copy of the draft resolution for the files.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

1968-11-11 11:02

Washington D.C.

Reconstruction and Development
International Bank for
Director's Development Services Department
Mr. Richard H. Smith

Arthur Karsen

4/11/68

Sincerely yours,

With best regards,

I enclose a copy of the draft resolution for the U.S.

in helping to solve certain financing problems such as rubber stocks, etc.
the importance of assistance from the International Institutions
also mentions the "Rio Study" of the Bank and Fund, and emphasizes
the U.S. role in the stabilization of commodity prices. The draft
in paragraph 4(c), he mentions the draft resolution, introduced

Committee I (Commodities) prepared by the Conference.

Enclosed please find the third progress report on the work of

Dear Dick:

Letter No. 20

March 2, 1968

3000 Avenue of the Americas, New York, N.Y.
Telephone - 223-2210

4' VLEINIE D'LEIN' BAKIS (19) - EKVACE
EUKOBEAN OFFICE:

CHIEF OFFICE - INTERNATIONAL BANK

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHIEF OFFICE - INTERNATIONAL BANK

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C. U.S.A.
Headquarters:

2512

OFFICE MEMORANDUM

TO: **Files**

FROM: **Patrick de Fontenay** *pf*

SUBJECT: **UNCTAD II : Third Progress Report on the Work of
..... Committee I**

DATE: **February 5, 1968**

A. The Committee has now completed the examination of those items of its agenda relating to "problems arising from the development of synthetics and substitutes" and "role and financing of diversification programmes". Prior to the discussions, three items of business were dealt with:

(a) The representative of the FAO introduced the reports of the Second and Third Sessions of the Study Group on Oilseeds, Oils and Fats. In the ensuing discussions, a number of LDC's proposed that the Committee recommend the Conference to set up an inter-governmental consultative Committee to prepare an international agreement;

(b) The Committee heard the representative of the "International Tin Council" (Mr. Allen) describe the operation of the buffer stock in tin. He indicated that the Council had approached the Bank and the Fund in 1964 to obtain financing, but that they were turned down. Private banks, however, had been prepared to grant the necessary credit. He also considered that if buffer stocks were to be established for a number of commodities, it would be more effective and more economical to finance them through a central international agency such as the IBRD.

(c) In a surprise move, France introduced a draft resolution on the stabilization of commodity prices which, inter alia, "calls the attention of IBRD and IMF to the importance it attaches to the "Rio" study ...", and "emphasizes the importance of assistance from them (IBRD, IMF), especially in helping to solve certain financing problems, such as buffer stocks, and providing long-term backing for the diversification efforts deemed necessary".

B. Problems arising from the development of synthetics and substitutes:

In regard to the long-term measures to improve the competitiveness of the natural products, several developing countries supported a proposal by India for establishing

(continued .. 2)

a research fund controlled by UNCTAD. As to UNCTAD's future activities on problems concerning synthetics, the US and some developed countries expressed the opinion that the functions of the "Permanent Group on Synthetics and Substitutes" which had met for the first time in Geneva in August, 1967, be exercised by UNCTAD's Committee on Commodities.

The Committee also considered the specific problems arising in connection with certain commodities and in particular, with natural rubber. In that connection the U.K. delegate said that he saw no reason why the Conference should not ask the World Bank and the IMF to carry out a study of what might be done to help natural rubber producers whose foreign currency income had suffered through the fall in prices, provided account were taken in such a study not only of rubber prices but also of the overall economic position of the country, the resources available to it and the action it was itself taking. The question of the financing by the Bank of the replanting of natural rubber trees was not raised.

C. Role and financing of diversification programmes:

Introducing this topic, the UNCTAD Secretariat indicated that diversification was particularly needed for those countries producing commodities in persistent surplus or affected by the development of synthetics or substitutes, and that those countries could be helped in two ways. One way would be for the normal sources of development finance, through the IBRD or through bilateral arrangements, to give high priority to the development plans of those countries faced with acute diversification problems. The second, and additional approach, would be for specific funds to be raised within the framework of an international commodity agreement, such as was arranged within the International Coffee Agreement.

Both developing and socialist countries emphasized that the basic requirements for diversification, particularly of the vertical type, was improved access to import markets and that such access should be on a preferential basis.

Concerning the financing of diversification programmes, the LDC's pointed to the direct link between the attainment of stable remunerative prices for their exports of primary commodities and the ability to finance the necessary diversification programmes. They expressed concern

(continued .. 3)

at the lack of sufficient international finance, especially from the IBRD. They favoured the establishing of diversification funds as part of the international commodity agreement and in the form of a central diversification fund. Senegal also proposed to set up a specific fund under UNDP to enable the LDC's to obtain the fertilizer they needed to develop agriculture. Chile said that the international financial institutions should indicate whether they were prepared to contribute to the establishment of a central fund or to the creation of special funds for the diversification of specific commodities. Tanzania also said that the findings of the IBRD/IMF study on possible solutions to the problems confronting world trade in primary products were eagerly awaited. It proposed that UNCTAD should establish an action group as a means of ensuring that IMF, IBRD, GATT and FAO adopted complementary resolutions committing them to joint action in the matter.

The developed countries usually said that diversification was an integral part of economic development and that sound diversification programmes were able to get financing from existing sources of development finance. Germany also said that the studies made by IBRD and IMF would lead to a solution. The developed countries were not in favour of a central diversification fund, but supported the inclusion of diversification funds in specific international commodity agreement, as in the case of coffee.

D. In connection with the discussion of the above items, Mr. Arthur Karasz, speaking on behalf of the Bank, stated that the Bank considered diversification as an essential step for countries heavily dependent on primary commodities and described the Bank's contribution in that field. He also referred to the study commissioned in Rio and said that it was impossible to predict what its conclusions would be on the subject of buffer stock financing as well as on all the other elements of the problems studied.

E. The 23-member "contact group" set up by the Committee to start negotiations on possible points of agreement has had two meetings so far, in which it started the discussion of a "programme of action" on commodities presented by the Group of 77.

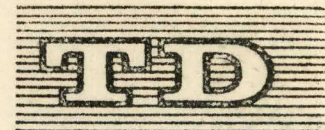
cc: Mr. Karasz (2)
Mr. Sarma



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TD/II/C.1/L.4
26 February 1968

ENGLISH
Original: FRENCH

United Nations Conference on Trade and Development

First Committee
Agenda item 10(b)

MAIN ELEMENTS OF COMMODITY POLICY INCLUDING INTERNATIONAL COMMODITY
AGREEMENTS AND OTHER TECHNIQUES OF COMMODITY MARKET STABILIZATION

STABILIZATION OF COMMODITY PRICES

Draft resolution submitted by the delegation of France

The Second United Nations Conference on Trade and Development:

Reaffirming the importance and urgency of so planning commodity trade as to make available to the developing countries the external resources of which they stand in serious need;

Recalling the Recommendation adopted at its 1964 session concerning "international commodity arrangements, removal of obstacles and expansion of trade" (Annex. A.II.1 of the Final Act of the First Conference);

Gravely concerned by the inadequacy of the practical steps taken to improve international commodity trade conditions, and particularly by the fact that since UNCTAD's first session no new agreement has been concluded on commodities of interest to the developing countries;

Noting the Resolution on commodity price stabilization adopted by the Board of Governors of the IBRD and of the IMF at its Rio de Janeiro session in September 1967;

Having taken cognizance of the provisions of the Charter of Algiers (TD/38) concerning "commodity policy",

A

(1) Calls the attention of IBRD and IMF to the importance it attaches to the study requested of them in the above-mentioned resolution;

(2) Expresses the hope that these agencies will be able to play an active part in introducing suitable machinery comprising commitments balanced as between producer and consumer countries, and to allocate the necessary funds thereto;

(3) Emphasizes the importance of assistance from them, especially in helping to solve certain financing problems, such as buffer stocks, and providing long-term backing for the diversification efforts deemed necessary;

(4) Requests IBRD and IMF to transmit the study to UNCTAD, the body responsible for the framing and implementation of an international policy on commodities.

B

(1) Invites the Secretary-General of UNCTAD to make representations to the Governments members of the 1967 United Nations Cocoa Conference with a view to the solution of outstanding problems, and requests the Chairman of the Executive Committee of that Conference to convene it as soon as possible, and at all events before the end of May 1968;

(2) Notes the convening by the Secretary-General of UNCTAD of a conference on sugar;

(3) Invites the Secretary-General of UNCTAD to initiate without delay, in collaboration with the competent international agencies and organizations, the consultations required for the framing of the international agreements on commodities to be decided upon after discussion in the Committee, bearing in mind those mentioned in the Charter of Algiers/ and to report to the Trade and Development Board on the subject at its September 1968 session;

(4) Invites the Secretary-General of UNCTAD also to report, similarly and at the same meeting of the Board, on the measures which might be envisaged for the following commodities of interest to the developing countries; commodities to be decided upon after discussion in the Committee, bearing in mind those mentioned in the Charter of Algiers, and also phosphates and tropical timbers/.

Headquarters:
Washington, D.C., U. S. A.



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c/o Ashoka Hotel, New Delhi, India

Letter No. 49

March 5, 1968

Dear Dick:

On the basis of your Letter No. 7, dated February 21, 1968, we have prepared, in cooperation with the Fund mission to UNCTAD II, an interim report on the first month of the Conference, that is, from February 1 - 29, inclusive.

... I enclose text of this report. An identical text has been sent by Edgar Jones to the International Monetary Fund.

With kind regards,

Sincerely yours,

D. Karasz

Arthur Karasz

*marked-up
Text sent to
Selby in Fund
for correlating
with Fund
copy and
stenciling.*

SEB

3/11/68

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U.S.A.



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With kind regards,

Sincerely yours,

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

1968-03-05 16:00

Handwritten notes in left margin:
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March 4

Headquarters:
Washington, D.C., U. S. A.



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Letter No. 48

March 4, 1968

Dear Dick:

The Contact Group of Committee Three is discussing a paper prepared by the "77". I am told that the paper in its definitive form will consist of three chapters:

- I. Target of aid.
- II. Volume of aid.
- III. Certain proposals concerning
a new policy of the World Bank.

I. Target of aid. The paper, which I have only seen in the form of a temporary draft, establishes new and most strict rules for the calculation of the one percent contribution by the developed nations. The target should be one percent of GNP at market prices, and the paper explains in detail the rules of calculating this amount (net of reverse capital flows, interest and profit remittances, etc.).

According to some representatives of the developed nations, the rule, if it comes into force, would mean the increase by several billion dollars, yearly, of their aid effort (the figures vary from \$4 to \$7 billion).

II. Volume of Aid. (Agenda Item 12(b) (ii) and (iii)). The following text is a draft proposal by the Afro-Asian Group of the "77". The Latin-Americans are going to discuss it today.

1. By the end of 1968, the norms of lending laid down by General Assembly Resolution 2170 (XXI), and by DAC, should be completely reached.
2. By 1975, all development lending, multilateral and bilateral, should be on terms currently applied by IDA.
3. A multilateral interest-equalization fund should be established with the concurrence of international lending institutions,

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

.../...

Washington, D.C.

Reconstruction and Development
International Bank for
Director, Development Services Department
Mr. Richard H. Dennis

with the concurrence of the International Bank for Reconstruction and Development.
3. A multilateral interest-education fund should be established
should be on terms sufficiently subject to IDB.
5. By 1952, all development lending, multilateral and bilateral,
combinedly received.
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of the one percent contribution by the developed nations. The larger
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I. Level of aid. The higher, which I have only seen in the form of a
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III. Certain proposals concerning
II. Volume of aid.
I. Level of aid.

set of three chapters:
by the U.N. I am told that the higher in its definitive form will con-
The Contact Group of Committee Three is discussing a higher prepared
best track:

Letter No. 18

March 1, 1958

Telephone - 223-3210

* YUENNE D'ENNA, PARIS (FR) - FRANCE
BUREAU OFFICE:

CHIEF OFFICE - INDIANAPOLIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHIEF OFFICE - INDIANAPOLIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



4. Pending the general adoption of IDA terms, there should be considerable lowering of interest rates and increase in maturities and grant periods. Each advanced country should attempt to reach the following norms of lending:

Either:

(a) Provide 85% or more of their commitments in the form of grants;

Or:

(b) (i) 90% of total commitments as grants or loans at 2-1/2% interest, or less, and a repayment period of thirty years or more;

(ii) attain a weighted average grace period of eight years.

5. The Conference recommends that the Secretariat of UNCTAD study the possibility of the "Bisque" clause (see my letter No. 41).

6. External finance should be made available for both programmes and projects, and should include local costs, if necessary. It should also be on a continuing basis to cover plan-programmes over a period of years. Appropriate steps should be taken to shorten the time required for considering and disbursing development finance.

7. An intergovernmental group with equitable representation of developed and developing countries should be established to deal with all aspects of commercial credits, including suppliers' credits. This group is to discuss and agree on the means and measures necessary to soften the terms of commercial credits, including the provision by the developed countries of financial interest subsidies and of guarantees to their exporters with respect to trade with developing countries. The group is also expected to envisage a solution along the same lines for commercial credits already accumulated in previous years.

8. Development finance should be untied completely by 1972. Developed countries with balance-of-payment difficulties should adopt measures for increasing their grants in aid by amounts equal to the estimated increase in the costs of procurement of goods by the respective developing countries as a result of the tying of development finance.

9. Suitable measures should be taken to alleviate the debt servicing burden by consolidation of the external debts into long-term obligations at low rates of interest. The study of the means and mechanism of implementing this recommendation is to be presented by the UNCTAD Secretariat to the Seventh Meeting of the Trade and Development Board.

10. Each developed country is requested to announce to the Seventh Meeting of the Trade and Development Board the measures it intends to take towards implementation. In addition, each developed

country should report annually to the Trade and Development Board on its yearly performance.

This is the Afro-Asian draft. I am told that the representatives of Ceylon and India were the most active in its preparation.

The Latin-Americans will discuss it today. I understand that they will agree to paragraph 5 above (study of the "Bisque" clause) but they will ask that the Bank be invited to participate.

They agree to paragraph 6 (financing of both projects and programmes) because it is being done already in the Alliance for Progress.

They think that paragraphs 7 and 8 are unrealistic.

III. Certain proposals concerning a new policy of the World Bank. The following is taken from a draft prepared by the Latin-American group and to be discussed this week with the Afro-Asians:

The governments members of UNCTAD and the Bank will instruct their Governors to the Bank to suggest at the next Annual Meeting the transformation of the Bank into a bank for developing countries. In order to realize this reform of the policy of the Bank, the following rules will have to be observed:

1. The Bank will agree to finance not only projects but also plans and programmes.
2. Amortization periods will have to be extended and the interest rate lowered.
3. The Bank will have to start negotiations with those developed countries which are still its debtors, to study the possibility of prepayment of their debts.
4. The Bank should help certain developing countries to gain access to the world money markets (Brazil).
5. The Bank should agree to finance mixed projects (government and private) especially those which have a strategic importance in the development plan of the country.
6. Loans for the purpose of education should be expanded, and loans should be granted for purposes of public health, rural and urban development.
7. The Bank will accept trust-in-funds from national governments for purposes of specific development projects. (If, for instance, Sweden offers an amount for purposes of a specific development project).
8. The Bank should guarantee issues by developing governments in international and domestic markets.

9. The Bank should increase its participation in mixed projects with regional development banks.
10. The Bank should extend the number of its consortia and consultative groups.
11. The Bank should give its assistance in the rescheduling of foreign debts.
12. IFC is requested to extend its lending activities.
13. The replenishment of IDA as being discussed now is insufficient. IDA should finance, in addition to its present programme, projects and programmes in depressed areas of the developing world (like the Amazon Basin).

This is the "moderate" text prepared by the Latin Americans. I am told that some representatives of the Afro-Asian group are more radical.

With best regards,

Sincerely yours,

A. Karasz

Arthur Karasz

March 4, 1

Report No. 47

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 47

March 4, 1968

Dear Dick:

De Seynes was not entirely right when he told me at the beginning of the Conference that there would be "no crises in Delhi". The Conference is at mid-term now and there is a crisis looming on a multiple front. According to probably inspired articles in the Indian papers, the developing countries are unhappy with the lack of dialogue. The Committee on Manufactures has not produced any result of substance on preferences and there is no tangible result on the front of Commodity agreements either. The Contact Group of Committee Three is wrangling with a text on the volume of aid prepared by the "77". The proposals it contains will be extremely difficult for the developed countries to accept.

To all these reproaches, the developed nations answer that they need time. While the developing nations have come to Delhi with a ready blueprint, the Charter of Algiers, they, the developed nations, have no ready-made answer to everything and must examine each question separately. In reality, one has the impression that the developed nations are not unified among themselves. There is very little hope, if any, that the EEC, particularly France, can ever agree with the UK and the US on the question of preferences (direct and reverse). The group of developed nations is deeply divided on a number of questions in financing. On SFM, for instance, the Scandinavians are favourable, the Netherlands and maybe even the UK are undecided, while France, Japan and the US are probably against it. The developing nations are aware of this and try to use it for their own purposes.

We are told that the plenary ^{might} ~~will~~ be reconvened tomorrow, March 5, to allow Prebisch to "take stock of the progress" made until now.

Sincerely yours,

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Washington, D.C.

Reconstruction and Development
International Bank for
Director Development Services Department
Mr. Richard H. Dennis

Arthur Kales

1968 MAR 20 10 48 AM '68
STANDARD TIME

From Director to "Take stock of the progress" made with you.
We are told that the General Assembly will be reconvened tomorrow, March 2, to

discuss:

The developing nations are aware of this and try to use it for their own
and suggested, with France, Japan and the US are properly estimated.
The governments are favorable, the negotiations and we are even the UK
greatly affected on a number of questions in financing. On GEM for instance,
of preferences (direct and reverse). The group of developed nations is
beneficially France, can also agree with the UK and the US on the question
imposed among themselves. There is very little hope, it may be that the EEC
in reality, one has the impression that the developed nations are not
ready-made answer to everything and what examine each question separately.
Regarding the question of water, they, the developed nations, have no
need time. With the developing nations have come to deal with a ready
to all these responses, the developed nations answer that they

accept:

If countries will be extremely difficult for the developed countries to
with a text on the volume of aid provided by the UN. The progress
agreements either. The contact group of countries there is managing
on preferences and there is no concrete result on the front of commodity
the committee on manufactures has not produced any result of importance
because the developing countries are unable with the task of adjustment
multilateral front. According to properly installed articles in the Indian
conference is at mid-term now and there is a crisis looming on a
of the conference that there would be no crisis in result. The
he seems was not entirely right when he told me at the beginning

Dear Dick:

Letter No. 17

March 1, 1968

c/o Ashoka Hotel, New Delhi, India

Telephone - 223-3210

* VALIEN D'ENVA, BAKIS (EN) - FRANCE
ENKOBENI OFFICE:

СНГ УЧРЕЖД - ИНДИА БУКИ

INTERNATIONAL DEVELOPMENT ASSOCIATION

СНГ УЧРЕЖД - ИНДИА БУКИ

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



LEONARD FARBSTEIN
19TH DIST., NEW YORK

COMMITTEE:
FOREIGN AFFAIRS

CHAIRMAN, SUBCOMMITTEE
ON FOREIGN ECONOMIC
POLICY

MAR 8 REC'D

Congress of the United States
House of Representatives
Washington, D.C.

x US Congress

NEW YORK OFFICE:
276 FIFTH AVENUE
MURRAY HILL 4-2200

WASHINGTON OFFICE:
RAYBURN BUILDING
SUITE 2455
TEL. AREA CODE 202, 225-5635

March 4, 1968

Mr. George D. Woods, President
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington, D.C.

Dear Mr. Woods:

I am pleased to enclose herewith copy of the Congressional Record of Monday, February 26, 1968, and refer you to Page E-1179 where you will find my insertion of your statement before the United Nations Conference on Trade and Development. *Res. Files.*

With kind regards, I am

Sincerely yours,

Leonard Farbst

LEONARD FARBSTEIN
MEMBER OF CONGRESS

LF:omr

Enclosure

acc. March 11/68

OUTGOING WIRE

TO: KARASZ
ASHOKA HOTEL

NEW DELHI

DATE: MARCH 4, 1968

CLASS OF
SERVICE: LT

COUNTRY: INDIA

R.C.H.

TEXT:
Cable No.: 16

REURCAB 15 PRIMO CONCERNING JALAN'S MEMORANDUM ON SUPPLEMENTARY FINANCE
POINTS ONE TWO AND FOUR ARE FOR YOUR BACKGROUND INFORMATION AND NOT FOR
STATEMENT TO CONFERENCE. POINT THREE SHOULD BE BASIS OF WHATEVER YOU SAY,
MAKING CLEAR THAT BANK THINKS SCHEME IS FEASIBLE SOLUTION TO IMPORTANT
PROBLEM POSED STOP RE POINT FOUR PLEASE NOTE WOODS TALKING ABOUT THIRD NOT
CURRENT REPLENISHMENT STOP SEGUNDO CONCERNING RELATIONSHIP BETWEEN SFM
AND COMMODITY STABILIZATION THERE IS NO CONFLICT SINCE SFM WILL OPERATE
ONLY WHEN UNEXPECTED DECLINE OCCURS IN EXPORT EARNINGS DUE TO CAUSES NOT
REACHED OR REMEDIED BY ANY STABILIZATION SCHEME STOP STABILIZATION SCHEME
TO EXTENT EFFECTIVE MAY HOWEVER REDUCE NEED FOR RECOURSE TO SFM STOP YOU
MAY STATE THIS TO CONFERENCE

REGARDS

DEMUTH
~~INTBAFRAD~~

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY

NAME Richard H. Demuth

DEPT. Development Services

SIGNATURE
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

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Mr. Consolo
(w. cc: of
incoming cable)

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SIGNATURE

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DEPT. Development Services

NAME B. G. B. B.

MESSAGE AUTHORIZED

MAR 4 1 08 PM 1968

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COMMUNICATIONS

GENERAL FILES
COMMUNICATIONS

Created with and cc: Mr. B. G. B. B.

MAR 4 11 42 AM 1968

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DEPT. H

RECEIVED

WVA STATE THIS TO CONFERENCE

TO EXTERNAL RELATIONS WVA HOMELESS PEOPLE NEED FOR RECOGNITION TO GET STOP AND

REACHED OR REMEDIED BY WVA SUBSTITUTION SCHEME STOP SUBSTITUTION SCHEME

ONLY WHEN UNEXPECTED DEPTIME OCCURS IN EXCESS EVENINGS DUE TO CAUSES NOT

AND COMMODITY SUBSTITUTION THERE IS NO CONFLICT SINCE GET WILL OBSERVE

CORRESPONDENCE STOP SECOND CONCERNING RELATIONSHIP BETWEEN GET

PROBLEM POSSED STOP BE POINT FOR PLEASE MORE MOODS EVIKING ABOUT THIRD NOT

MAKING CLEAR THAT YOUR THINKS SCHEME IS FEASIBLE SOLUTION TO IMPROVE

SUBSTITUTE TO CONFERENCE. POINT THREE SHOULD BE BASIS OF ANALYSIS FOR GET

POINT ONE TWO AND FOUR ARE FOR LONG BACKGROUND INFORMATION AND NOT FOR

REASON IS BEING CONCERNING YOURS MEMORANDUM ON SUBSTITUTION FINANCE

COPY NO. 10
TEXT

COMMUN. INDIV

NEW DEPT. H

VSNOKY NOLET

TO: KVBVSS

REMARKS:
CLASS OF 10

DATE: MARCH 10 1968

OUTGOING MIBS

ASSOCIATION

RECONSTRUCTION AND DEVELOPMENT

COOPERATION

INTERNATIONAL DEVELOPMENT

INTERNATIONAL BANK FOR

INTERNATIONAL FINANCE

March 2

Report No. 46

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 46

March 2, 1968

Dear Dick:

Many thanks for your cable No. 14, which contained extremely useful advice on how we should react on problems relating to our Commodity Study.

As more and more delegations mentioned this matter in Committee One, Edgar Jones and myself had the feeling that it would be useful to explain our position in two parallel statements.

... Edgar Jones delivered a statement as per the enclosed copy
... (Annex I). Thereafter, I made my statement (Annex II).

... In the meantime a "coup de theatre" happened in Committee Three (Everts). James Mark, very unexpectedly, requested an urgent declaration by the Fund and Bank representatives on the status of the study on commodity stabilization. Edgar Jones rushed from Committee One to Committee Three and read the same text to Committee Three of his statement to Committee One. Sarma, after having discussed the text with me, delivered a statement as enclosed (Annex III).

Originally, he intended to add a sentence reading as follows:

"In any case, we see no conflict between measures for the stabilization of commodity prices and SFM".

I could not agree with the sentence for two reasons: (i) I had the feeling that the sentence went beyond the question put by the United Kingdom delegate and, therefore, there was no reason to say it, and (ii) I had no instructions from you whether this rather touchy subject could be handled in this way by the Bank delegation. That is why I sent you my cable No. 15.

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

.../...

Washington, D.C.

Reconciliation and Delegation
International Bank for
Delegation Delegation Delegation
Mr. Richard H. Denny

the Bank delegation. That is why I sent you my cable No. 12.
Now you may see that this rather complex subject could be handled in this way by
and, therefore, there was no reason to say it and (11) I had no instructions
that the sentence went beyond the question but by the United Kingdom delegate
I could not agree with the sentence for two reasons: (1) I had the feeling

attribution of commodity prices and DEM.
In any case, we see no conflict between measures for the

originally, he intended to add a sentence reading as follows:

*** with me, delivered a statement as enclosed (Annex III)*
statement to Committee One. James, after having discussed the text
to Committee Three and read the same text to Committee Three of his
on commodity attribution. Edgar Jones learned from Committee One
that by the Fund and Bank representatives on the status of the study
(Everts). James Mark, very unexpectedly, requested an urgent decision.
In the meantime a "coup de theatre" happened in Committee Three

*** (Annex I)* Thereafter, I made my statement (Annex II)*
*** Edgar Jones delivered a statement as per the enclosed copy

to explain our position in two parallel statements.
One, Edgar Jones and myself had the feeling that it would be useful
as more and more delegations mentioned this matter in Committee

Commodity Study.
useful advice on how we should react on problems relating to our
many thanks for your cable No. 12, which contained extremely

Dear Dick:

Letter No. 10

March 5, 1968

c/o Varok Hotel, New Delhi, India

Telephone - 223-3210

* VALIEN D. IENY, BAKIS (DE) - EKUNGE

RUSSIAN OFFICE:

Cable Address - INDELAVS BAKIS

INTERNATIONAL DELEGATION ASSOCIATION

Cable Address - INDELAVS BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



James Mark was not satisfied with the statements of the Fund and Bank and pressed for further details; he, as well as the delegates to Bolivia and Ceylon, wanted to receive an exact timetable from the Bank and the Fund on when the study would be completed. It was evidently impossible to answer this question, and the only thing we could do was to promise that if we received any further information from Washington we would let the Committee know.

No-one knows what incited James Mark to press so much on this particular point and bring both the Bank and Fund into a rather embarrassing position. He is a curious man; someone said the other day that he is sometimes ~~un~~predictably unpredictable!

With kind regards,

Sincerely yours,

Arthur

Arthur Karasz

Statement to be delivered in Committee I

Mr. Chairman:

In our last annual meeting held at Rio de Janeiro in September 1967, our Board of Governors adopted a resolution asking the Fund staff to study in consultation with the IBRD staff, the problem of the stabilization of prices for primary products, its possible solutions and their economic feasibility.

The work is now in progress. According to arrangements worked out between the staff of the Fund and the Bank, the study will be divided into two parts. The first part will be prepared jointly by the staff of the two institutions. It will be based on a discussion and evaluation of various possible solutions to the problems of commodity prices that have been suggested so far. The second part will discuss the possible role that the Fund could play in the solution of these problems. The latter will ^{be} ~~have~~ prepared by the Fund staff in close consultation with the Bank staff.

The study once completed will be submitted to the Executive Directors who after examination will transmit it, with such comments or recommendations as they may have, to the Board of Governors for consideration and appropriate decision. The staff has been instructed to proceed on the working assumption that it would be highly desirable to finish the report at an early enough date to permit consideration by the Governors at the 1968 Annual Meeting to be held in October although the resolution does not make it obligatory to have a study ready by then. It states "if possible at its next Annual Meeting."

.../...

It will be appreciated that the Fund study cannot be made available to any other U.N. organization for consideration before the Executive Board has opportunity to discuss the study and to make whatever recommendations it deems necessary to the Board of Governors; nor can it be considered by other bodies until the Board of Governors has had opportunity to consider the views of the Executive Board. Apart from the procedural question the timetable is too short to produce any progress reports.

In the Commodity meeting of last May I made a statement to the effect that the Fund would wish to take into account relevant aspects of the financing problems involved in possible international commodity arrangements. This consideration has since been overtaken by the mandate of the Board of Governors of last September to produce a study on the stabilization of prices of primary products. For this reason the Fund staff is not in a position to undertake a separate study of financing of buffer stocks for submission to the Executive Board; nor could the Board consider this question before considering the basic study now being prepared. It is not possible to anticipate at this early stage, Mr. Chairman, what will be the outcome of the study by the Fund.

On the nature of the study I quote from Mr. Schweitzer's concluding remarks at the Rio meeting of last September:

"In our study we shall, as requested in the Resolution, consult with the Bank. We also expect to benefit from the fact that a great deal of important work in this area has been done, and is currently going on, in other international bodies, such as UNCTAD and FAO.

"in approaching the subject of price stabilization for primary products, one cannot be unaware of the discrepancy between the attention paid to this problem over the last 20 years and the paucity of workable solutions that have emerged. In recalling this fact, I do not want to create the impression that I am underrating the value of new and intensified study in this field by the staffs of the Bank and the Fund: but I do think that Governors should be reminded that there is no easy road toward fully satisfactory solutions of the problems related to the instability of commodity prices."

II

Statement by Arthur Karasz, Head of the Delegation of the
International Bank for Reconstruction and Development, to
Committee One at the Second Session of the UN Conference
on Trade and Development

Mr. Chairman, I would like to be allowed to discuss two interdependent subjects in this statement; in the first part of this statement, which will be very short, I would like to clarify some elements of the problem of diversification as related to the commodity problem in general; in the second part, I would like to inform the Committee about the present status of the Study being prepared in the Bank on the basis of the so-called Rio Resolution:

I. We have listened with great interest to the discussion in this Committee of the commodity problem. So far, the Bank's approach to its solution has been through assisting the diversification of the economies of the developing countries. Indeed, diversification is of paramount importance for all countries having a dependence on primary commodities, and we agree with the view that it is needed even in countries which have a high per capita income but derived from the export of a single commodity. But diversification is a complex and long-term problem. It seems to me not to be appropriate at this stage to go into the discussion of the economics of the process. I think, however, it will be useful that I state also in this Committee that the Bank in its existence of over twenty years has contributed to diversification by ^{using} ~~using~~ most of the amount of over \$10 billion it has lent for improving the economic infrastructure of its members.

The Bank is particularly well placed in view of its wide field of action and its cooperation with institutions like FAO to watch for the necessary harmonization of diversification programmes to which the Secretariat has

rightly called attention, that is to avoid diversification away from a single product into the production of another surplus commodity. The Bank is also cooperating with the ICO and some other international institutions to study possibilities of further cooperation on this subject.

II. Now to turn to my second subject. As the Committee very well knows, the Bank is presently engaged in a major review of the entire problem of commodities: on the basis of the Rio Resolution of last September, whose text has been circulated in Committee III as Document TD/II/C.3/L.4, the Bank and Fund staff have started work, a very intensive work indeed, on the question put to them in Rio: we were requested to examine the possibilities of Bank Group assistance to commodity stabilization schemes should adequate resources be available.

The work is now in progress and the intention is to complete it, if possible, early enough to permit its consideration by the Governors of the Bank at the Annual Meeting to take place next October. I am in complete agreement with the statement made by the distinguished representative of IMF that it is quite impossible to predict, at this early stage, what the conclusions of the study by the Bank will be; this also goes for the question put to us several times on the subject of the financing of buffer stocks, as well as for all the other elements of this very important problem.

Mr. Chairman, we have been requested by several speakers to transmit the Study to UNCTAD. We appreciate the interest expressed in this Committee for our forthcoming study and I am authorized to inform you that it will be submitted to UNCTAD after its consideration by the Board of Governors of the Bank.

Statement by N.A. Sarma in Committee III: March 1, 1968.

(When Supplementary Finance was taken up for discussion, the U.K., Ceylon and some other representatives asked for an indication of the possible timing and nature of the studies on commodity stabilization in the Fund and the Bank)

Mr. Chairman, as you know, the Board of Governors of the Bank adopted a Resolution at the 1967 Annual Meeting in Rio de Janeiro calling on the the President of the Bank to have the Bank staff prepare a study on the problem of stabilization of prices of primary commodities in consultation with the Fund staff. A parallel Resolution was adopted for the Fund. This study relates to the problem, its possible solutions and their economic feasibility. The Board of Governors also directed the staff that effort be made, if possible, to have the study completed in time for consideration at the next annual meeting.

This important Study has been taken in hand in the Bank by a task force headed by the Bank's Director of Special Studies, co-operatively with the Fund. It is not possible to indicate at this time when the Study would be completed, or what the conclusions of the report would be, and what comments and recommendations our Executive Directors would make in transmitting it to the Board of Governors.

N. A. Sarma

cc: Messrs. Karasz,
de Fontenay
Jalan

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India



Letter No. 45

March 2, 1968

Dear Dick:

... Supplementary finance has been introduced in Committee Three by the representative of Prebisch. I enclose the text of his statement (Document No. TD/II/C.3/2).

... Mermolja, who was Chairman of the Intergovernmental Group on Supplementary Financing, has made an introductory statement on this same subject. It was a well-balanced statement describing in quiet and objective terms the respective positions of those who favoured it and those who are against it. He did not bring up anything new and rightly so because his task was to explain to the Committee the situation as it had developed in previous meetings. I enclose a summary of his statement (Document No. TD/II/C.3/SR.16 - pages 21-23) as published in the summary records of the Committee. A complete text will be published later and transmitted to you as soon as possible.

Before the meeting we met with Mermolja privately. He told us, on a very confidential basis, that he was not very optimistic about the future of supplementary financing. The important developed nations are against the proposal. The best he can imagine is to find a formula of agreement on some principles and continue negotiations later. But what should be the principles on which agreement can be reached?

With best regards,

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JUN 24 2024

WBG ARCHIVES

Sincerely yours,

Arthur Karasz

Arthur Karasz

Mr. Richard H. Demuth
International Bank for
Reconstruction and Development
Washington, D.C.

Washington, D.C.
Reconstruction and Development
International Bank for
Mr. Richard H. Denton

1950-6 11 11 11

MBG ARCHIVES

Arthur Karsa

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Stenciled copy

With best regards

What should be the principles on which agreement can be reached
of agreement on some principles and continue negotiations later. But
are against the proposal. The best we can imagine is to find a formula
the future of supplementary financing. The important developed nations
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text will be prepared later and transmitted to you as soon as possible.
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summary of his statement (document No. ID/II/C*3/28*10 - pages 51-53)
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and objective terms the respective positions of those who favored
same subject. It was a well-balanced statement describing in brief
supplementary financing, has made an introductory statement on this
Merwold, who was Chairman of the Intergovernmental Group on

(document No. ID/II/C*3/5).
by the representative of Persia. I enclose the text of his statement
supplementary finance has been introduced in Committee files

Dear Dick:

Letter No. 18

March 5, 1950

c/o Ashoka Hotel, New Delhi, India

Telephone - 223-2210

4, AVENUE DIENAU, PARIS (16e) - FRANCE
ENJOYEAN OFFICE:

СНП УЧП - ИНТЕРНАЦИОНАЛ БАНК

INTERNATIONAL DEVELOPMENT ASSOCIATION

СНП УЧП - ИНТЕРНАЦИОНАЛ БАНК

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



March 1, 1968

Dear Fritz:

I am sorry that you were unable to include a stop-over in New Delhi during your last trip at the time of the UNCTAD meetings, as it would have been a pleasure to have had an opportunity to see you there.

The text of my speech, as prepared for delivery, is enclosed; it will be available in a slightly amended and more readable form next week, and I am making sure that you will receive that too.

I sincerely appreciate your continued interest in questions of development finance.

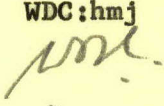
With my best personal regards,

Sincerely,

(Signed) George D. Woods

George D. Woods

The Honorable
Walter F. Mondale
United States Senate
Committee on Banking and Currency
Washington, D.C. 20510

WDC:hmj


Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTRAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) — FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

Letter No. 44

March 1, 1968

Dear Dick:

In one of the recent statements in Committee Three, Mermolja, of the Yugoslav delegation, raised the question of the interest rate to be paid on World Bank loans.

He wondered whether it would not be possible for the Bank to add to its existing system of loan rates a third rate applicable to loans to the very poor per capita income countries.

↓ lower

With best regards,

Sincerely yours,

A. Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

rec March 7/1968

Washington, D.C.
Reconstruction and Development
International Bank for
Director, Development Services Department
Mr. Richard H. Denny

Arthur Kates

Sincerely yours,

With best regards,

Going to the very poor but stable income countries
and to the existing system of loan rates a third rate applicable to
He wondered whether it would not be possible for the Bank to

to be paid on World Bank loans.
of the Yugoslav delegation, raised the question of the interest rate
In one of the recent statements in Committee Three, Members,

Dear Dick:

Letter No. 111

March 1, 1968

c/o Vapora Hotel, New Delhi, India

Telephone - 223-3210

4, VALENTINE D'ELIA, BAKIS (106) - FRANCE
EUROPEAN OFFICE:

CHIEF OFFICE - INDELAG BAKIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHIEF OFFICE - INDELAG BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C. U.S.A.
H. H. H. H. H.

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 43

March 1, 1968

Dear Dick:

... Working Group II has been called into existence in order to discuss trade expansion among developing countries. Enclosed, please find ~~the~~ text of statement made by a representative of Prebisch introducing the discussion on International Support Action, for this purpose.

Among other things, he discussed the need for international financial assistance. All the international agencies (such as IMF, Asian Development Bank, ECA, etc.) made a statement on their respective positions.

... At the request of the Committee, I delivered a statement on behalf of the World Bank, text of which is enclosed. It is mainly based on a similar statement which I made to the Trade and Development Board in Geneva last August.

With kind regards,

Sincerely yours,

A. Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U.S.A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTERBANK PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ENNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India



Letter No. 113

March 1, 1968

Dear Dick:

Working Group II has been called into existence in order to discuss trade expansion among developing countries. Enclosed, please find ~~the~~ text of statement made by a representative of Repisch introducing the discussion on International Support Action, for this purpose.

Among other things, he discussed the need for international financial assistance. All the international agencies (such as IMF, Asian Development Bank, ECA, etc.) made a statement on their respective positions.

At the request of the Committee, I delivered a statement on behalf of the World Bank, text of which is enclosed. It is mainly based on a similar statement which I made to the Trade and Development Board in Geneva last August.

With kind regards,

Sincerely yours,

Arthur Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Report No. 42

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÏÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hote, New Delhi, India

Letter No. 42

March 1, 1968

Dear Dick:

The structure of the Conference is at present as follows:

The Plenary, as you know, is suspended until further notice. The five committees started their meetings. "Contact Groups" have been created in most of the Committees. Their purpose is to discuss, on the "working level", matters on which no agreement has yet been reached. Thus, the Contact Groups are a meeting place for the national delegates to iron out differences. They will not succeed on every point; those remaining, probably the great problems, will be left to high-level groups which will probably work parallel with the Plenary.

We are entitled to attend the meetings of such contact groups and shall attend if and when we have the staff to do so.

In addition to the five committees, three working groups have been created:

- Working Group No. 1 - on the World Food Problem
- " " " 2 - on Problems Related to Economic Integration among Developing Countries
- " " " 3 - Special Problems of the Land-Locked Countries

All this would be allright if it were all. In reality, over and above the contact groups there are also supervisory and super groups in each of the contact groups; some of them coordinate, others, especially those on the higher level, coordinate the coordinators. According to

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

.../...

Washington, D.C.

Economic Reconstruction and Development
International Bank for
Director, Development Services Department
Mr. Richard H. Demuth

those on the higher level, coordinate the coordinators. According to
each of the contact groups: some of them coordinate, others, especially
those the contact groups there are also subgroups and subgroups in
All this would be sufficient if it were all. In reality, over and

" " " 3 - Object Programs of the Long-Term Development
among Developing Countries
" " " 5 - on Programs Related to Economic Integration
Working Group No. 1 - on the World Food Problem

created:

In addition to the five committees, three working groups have been
shall attend it and when we have the staff to do so.
We are entitled to attend the meetings of such contact groups and

groups which will properly work together with the General.
Remaining, properly the great programs, will be left to the higher-level
to iron out differences. They will not succeed on every point. Those
things, the contact groups are a meeting place for the national delegates
the "working level", matters on which no agreement has yet been reached,
created in most of the committees. Their purpose is to discuss, on
the committees started their meetings. "Contact groups" have been
the General, as you know, is authorized with further notice. The

The structure of the Conference is at present as follows:

Dear Dick:

Letter No. 15

March 1, 1968

С/о Вспомог. Ноты, НЕМ ДЕТУ, Инста

Telephone - 223-3210

* ВАШИНГ. Д.И.И.В. БУКИ (10) - ЕКАИНС
ВУКОБЕАН ОНРИС:

С/П. У.И.И.В. - ИДЕЛАН БУКИ

INTERNATIONAL DEVELOPMENT ASSOCIATION

С/П. У.И.И.В. - ИДЕЛАН БУКИ

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C., U.S.A.
Headquarters:

25122

Stanovnic, at present the Conference has 96 groups which constantly contact and coordinate. There is a serious lack of space in the building and the interpreters are unable to do their job. As there are meetings in the lounge, and several other places where there are no booths for translators, the system of whispering interpreters is also going to be introduced.

One of the problems is that, in reality, there are at least two conferences going on parallel to each other: The Conference and another one among the "77".

Maybe Stanovnic exaggerates a little when he talks about 96 groups - but the Conference is certainly a little over-organized and this does not make it easy to follow events.

With kind regards,

Sincerely yours,

Arthur

Arthur Karasz

I N C O M I N G C A B L E

DATE AND TIME
OF CABLE:

MARCH 1, 1968 1910

LOG NO.:

WU 27/4

TO:

INTBAFRAD

FROM:

NEW DELHI

R O U T I N G

ACTION COPY: MR. DEMUTH

INFORMATION
COPY:

DECODED BY:

TEXT:

15 FOR DEMUTH

REURCAB 15 ✓

FIRST IRVINGS CONVERSATION AS REPORTED BY JALAN WAS SENT YOU MY LETTER 34. ✓

IF NO REPLY ASSUME REPRESENTS BANK OFFICIAL VIEW IN EVERY RESPECT.

SECOND TWO ADDITIONAL PAPERS BROUGHT BY JALAN ARE

AAA MEMO ON EXPORT SHORTFALLS AND

BBB SUPPLEMENTARY FINANCE AND COMMODITY STABILIZATION STUDIES.

EXPORT SHORTFALLS IS TECHNICAL AND I DO NOT SEE ANY SUBSTANTIVE PROBLEM.

BBB STATES THERE IS NO CONFLICT BETWEEN TWO SCHEMES ONE ON COMMODITY

STABILIZATION THE OTHER ON SFM. IS THIS BANKS POSITION AND DO YOU AUTHORIZE

ME TO STATE THIS IF NEEDED IN THE CONFERENCE? CABLED ANSWER URGENT AS

COMMITTEE STARTS DISCUSSION SFM

KARASZ

MR. DEMUTH TELEPHONED DURING WEEKEND

ack March 4/68 MT

TYPE

GENERAL FILES
COMMUNICATIONS

MAR 4 8 38 AM 1968

RE: GENERAL INFORMATION DURING WEEKEND

RE: INFO

COMMUNICATIONS DURING WEEKEND

WE DO HAVE A LOT OF INFO IN THE COMMUNICATIONS SYSTEM WHICH IS NOT
RECORDED AND WHICH IS NOT IN THE SYSTEM. IT IS NOT THE SAME AS THE DO NOT
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Form No. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP

Date

February 29, 1968

NAME

ROOM NO.

Mr. Evans

424

~~Mr. Goffin~~

FILES / Bureau

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

XXX Information

Signature

Initial

Send On

REMARKS

We will send down the publications referred to in the attached letter when they arrive.

From

Richard H. Demuth

ROUTING SLIP		Date Feb 26	
NAME		ROOM NO.	
Mr. Stevenson No, thank you. Shubert 2/26/68		800	
to Mrs		424	
To Handle		Note and File	
Appropriate Disposition		Note and Return	
Approval		Prepare Reply	
Comment		Per Our Conversation	
Full Report		Recommendation	
Information		Signature	
Initial		Send On	
REMARKS			
Are either of you interested in this?			
From Cousins			

February 29, 1968

M. H. Willot
Administrateur Delege
Association Internationale de
Developpement Rural Outre-Mer
20, Avenue des Arts
Brussels, Belgium

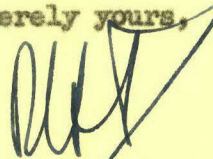
Dear M. Willot:

Mr. Woods has asked me to acknowledge and thank you for your letter of February 21, commenting on his speech at the United Nations Conference on Trade and Development.

Unfortunately, the brochure setting forth the philosophy, aims and achievements of your Association and the booklet concerning your work in Burundi did not arrive with your letter. We would very much welcome receiving copies of those two publications. When they arrive, I will see that they get into the hands of our Agriculture Division, which is in charge of all our rural development activities.

With kind regards,

Sincerely yours,



Richard H. Demuth
Director
Development Services Department

RHD:tf

cc: Mr. Evans w/copy incoming correspondence
Mr. Steckhan

February 29, 1968

M. H. Willet
Administrateur Délégué
Association Internationale de
Développement Rural
20, Avenue des Arts
Bruxelles, Belgique

Dear M. Willet:

Mr. Woods has asked me to acknowledge and thank you
for your letter of February 21, commenting on his speech
at the United Nations Conference on Trade and Development.

Unfortunately, the brochure setting forth the
philosophy, aims and achievements of your Association and
the booklet concerning your work in Burundi did not arrive
with your letter. We would very much welcome receiving
copies of these two publications. When they arrive, I
will see that they get into the hands of our Agriculture
Division, which is in charge of all our rural development
activities.

With kind regards,

Sincerely yours,

Richard H. Bennett
Director
Development Services Department

RHD:tl

cc: Mr. Evans w/copy incoming correspondence
Mr. Stachan

1968 FEB 29 10 41 18

UNCTAD

February 29, 1968

Dear Mr. Rooth:

I wish to thank you most sincerely for your good wishes on my leaving the Presidency of the World Bank and for your detailed comments on my address to the UNCTAD conference in New Delhi. Your continued interest in development questions and commitment to the welfare of the less privileged nations are admirable and heartening. Although we may not see eye to eye on every aspect of the development process, I sympathize with much of what you have written and I am truly grateful to you for having taken the time and trouble to write.

ln dtd Feb. 21, 1968

With my best wishes for your good health,

Sincerely yours,

(Signed) George D. Woods

George D. Woods

Mr. Ivar Rooth
Larsbergsvagen 13
Lidingö I
SWEDEN

unc

LJLind:sfu
Feb. 29, 1968

GEORGE D. MOORE

2706897A 2012

[illegible]

DESL WL* MOORE:

გერმანია სდ¹ რდგგ

UN CT 82
February 29, 1968

Mr. Romesh K. Diwan
United Nations Conference on Trade and Development
United Nations
New York

Dear Mr. Diwan:

Thank you for your letter of February 23. I shall
be very happy to meet with you in the afternoon of March 8.
Please contact me by phone (DU 1-2141) on your arrival.

Sincerely yours,

Herman G. van der Tak
Head, Sector and Project Group
Economics Department


HGVdT:zmc

February 29, 1968

Mr. Romeo E. Dixon
United Nations Conference on Trade and Development
United Nations
New York

Dear Mr. Dixon:

Thank you for your letter of February 23. I shall

be very happy to meet with you in the afternoon of March 8.

Please contact me by phone (DU 1-2141) on your arrival.

Sincerely yours,

Heinrich G. van der Tak
Head, Sector and Project Group
Economic Department

HOV:smc

RECEIVED-1 PM 5:55

OFFICE MEMORANDUM

TO: Files

DATE: February 29, 1968

FROM: Badri Rao *BR*SUBJECT: Horowitz at UNCTAD II

Addressing the Third Committee of UNCTAD in New Delhi, Mr. David Horowitz of Israel pressed again his proposal for an Interest Equalization Fund (IEF).

The proposal is well known and has been studied by the Bank staff.^{1/} Mr. Horowitz has however now offered some rather persuasive arguments in the light of recent developments.

He remains unconvinced that world capital markets would be unable to absorb the required amounts of new issues for IEF. He argues that money is always available at a price and suggests that "the palpable correlation of accelerated economic growth and tightness of capital markets, caused by added demand for capital, results in a paradoxical situation in which we are told that the greater the prosperity and the increment of the GNP of the developed world, the more restricted the possibilities for augmenting the capital flow to the developing nations."

He proposes that part of the additional reserves created by the IMF under the new Special Drawing Rights (SDR) could be used for purchases of bonds for development purposes and even suggests that contributions to IEF could be made out of the additional reserves. "The dogma of complete separation of development from the creation of new liquidity cannot be rationally explained" he says.

Recognizing that the floating of bonds in developed countries in balance of payments difficulties might create problems for them, Mr. Horowitz suggests a method of implementation whereby the use of currencies for procurement from such countries could be so phased over time that the currencies disbursed on loans would ultimately correspond to the amounts raised by bond sales on their markets. This method would avoid the evils of tied aid. Mr. Horowitz cites the proposed plan for IDA replenishment in support of his method.

Mr. Horowitz reiterates the pressing need for an enlarged capital flow to LDCs and expresses great concern about the "new myth" that what they now need is skills and know-how more than capital. While recognizing the importance of technical assistance he urges that "it should not be used as an excuse or substitute for a diminishing capital flow."

BR/yd

^{1/} See "The Horowitz Proposal -- A Staff Report", IBRD, February 1965.

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

Letter No. 41

February 29, 1968

Dear Dick:

... 1. Shri Swaminathan, Economic Ambassador for India in Western Europe, made the enclosed statement in Committee Three on terms of aid and external indebtedness. He would like the terms of aid to become easier and recalled in this respect the two loans negotiated by the United Kingdom after World War II. The interest rate to be paid was very low and in addition the loan contracts carried the "Bisque" clause according to which interest payments would be waived automatically in any year in which the United Kingdom suffered balance-of-payments difficulties.

For those who were wondering what the word "Bisque" meant, Swaminathan was kind enough to explain that it is a term used in the sporting world for the handicap whereby a player allows a weak opponent, at the latter's choice of time, to score a point. Thus it is a "built-in facility for the weaker party to a transaction".

I do not know whether the clause will become operative again in international transactions but, in any case, the Conference has become richer at least in an expression which has already been used by several speakers.

2. Yugoslavia is most interested in the problem of tied aid. Stanovnik elaborated several times on this subject and is of the opinion that if aid is tied, it should be repayable in an equally tied form, that is with export of goods from the recipient country.

We are fast returning to the old times of the thirties, with all their terribly complicated bilateral trade agreements, clearings, etc.

With best regards,

Yours sincerely,

Arthur
Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for Reconstruction and Development
Washington, D.C.

Washington, D.C.
International Bank for Reconstruction and Development
Director, Development Services Department
Mr. Richard H. Bennett

Arthur Kellas

01411

With best regards,
Yours sincerely,

These terribly complicated bilateral trade agreements, treaties, etc.
are just returning to the old times of the twenties, with all

of goods from the recipient country.

It is true, it should be remembered in an equally true fact that with export
controls several times on this subject and it is of the opinion that it is

5. In general it is most interested in the problem of the export of

services.

It is true that in an expression which has already been used by several
international transactions and in any case, the Conference has become

I do not know whether the change will become operative again in

market before to a transaction.

Choice of time to make a point. This is a "right-in" facility for the
for the present merely a buyer's terms a weak opponent, at the latter's
was kind enough to explain that it is a term used in the exporting world

For those who were wondering what the word "Bridges" meant, I mention

conditions.

In any case in which the United Kingdom suffered balance-of-payments
crises according to which interest payments would be made automatically
and in addition the loan contracts carried the "Bridges"

United Kingdom after World War II. The interest rate to be paid was
easier and resulted in this respect the two loans negotiated by the
and external indebtedness. He would like the terms of the to become
Europe, made the enclosed statement in Committee three on terms of the

1. Sir, I mention, Economic Ambassador for India in Western

Dear Sir:

Letter No. 11

February 28, 1963

30 Avenue Hotel, New Delhi, India

Telephone - 223-3210

* Valine D. Davis (19) - Finance
Economic Office

Mr. Arthur - Finance Bank

INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. Arthur - Finance Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 40

February 29, 1968

Dear Dick:

The second stage of the Conference, on substantive discussions, seems to be starting.

I am told that the "77" are actively working on a draft resolution the first chapter of which will deal with the volume of aid. It is a very ambitious text with the purpose of increasing the volume of aid considerably, establishes detailed rules on how to calculate it and thus make the one percent rule more operative.

The second chapter of the same draft, which I have not yet seen, will be more important for us because it will be dealing with the rôle of the Bank. The text is still under discussion. If the "77" agree on it, it will contain the well-known ideas of the Algiers Charter: transformation of the Bank into an "institution for developing nations only", provisions for adequate changes in its charter, financing of public enterprises, joint financing with regional development banks and, finally, instead of projects more emphasis on the financing of development plans.

As mentioned, we have not yet seen the text of this second chapter and the draft may undergo changes, for the better I hope. I know that some of the more important LDC's are hesitant about the whole matter, but they are "under heavy political pressure", as has always been said in such circumstances.

With kind regards,

Sincerely yours,

Arthur Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Washington, D.C.

Reconstruction and Development
International Bank for
Director Development Relations Department
Mr. Richard H. Dennis

Alfred Kellogg

Sincerely yours,

With kind regards,

such circumstances.

They are "under heavy political pressure" as has always been said in some of the more important I.D.C.s are resistant about the whole matter, but and the draft may undergo changes, for the better I hope. I know that as mentioned, we have not yet seen the text of this second chapter

development plans.

and, finally, instead of projects more emphasis on the financing of of public enterprises, joint financing with regional development banks nations only, provisions for adequate changes in the charter, financing charter: transformation of the Bank into an "institution for developing agree on it, it will contain the well-known ideas of the United role of the Bank. The text is still under discussion. If the "ID" will be more important for us because it will be dealing with the the second chapter of the same draft, which I have not yet seen,

this make the one percent rule more operative.

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I am told that the "ID" are actively working on a draft resolution

seems to be starting.

The second stage of the Conference, on substantive discussions,

Dear Dick:

Letter No. 10

February 28, 1968

c/o Ashoka Hotel, New Delhi, India

Telephone - 223-2210

* ALEXANDER D. DENIA, BAKIS (ID) - EXCHANGE

EUROPEAN OFFICE:

Cable Address - INDELAG BAKIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDELAG BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Letter No. 13

February 28, 1968

Dear Arthur:

In the first report on UNCTAD (1st ten days) by Roberta Lusardi to the ICC, which Mike received, there is the following statement: "One of the principal concerns is how to finish on time. Before long, it will probably be necessary to form an overall "contact group", and perhaps later, even a drafting committee, consisting of the Rapporteur and his friends, and other key figures." which intrigued us.

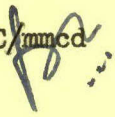
From Roberta's report which, as usual, makes lively reading, one does not clearly understand whether the Rapporteur is the Conference one or the Rapporteur of each Committee: I rather imagine the former.

If Roberta's inside information is correct and this "contact group" and a "drafting committee" are really set up, we would like to know who the members are and have your confidential opinion of them as well as of the "Rapporteur and his friends" and the "other key figures". I hope this does not add unduly to your heavy burden of reporting.

Yours sincerely,

Federico Consolo

Mr. Arthur Karasz
C/o Ashoka Hotel
New Delhi
India

FC/mmc


UNCT 02

INCOMING CABLE

DATE AND TIME OF CABLE: **FEBRUARY 28, 1968** **1455**

LOG NO.: **WU 14/28**

TO: **INTBAFRAD**

FROM: **NEW DELHI**

TEXT:

ROUTING	
ACTION COPY:	MR. FRIEDMAN
INFORMATION COPY:	
DECODED BY:	

~~14 FOR FRIEDMAN~~

REURCAB 13 CONFERENCE CONCLUDES MARCH 25 COMMITTEE WORK CONCLUDES
POSSIBLE MARCH 15 SUGGEST YOUR COMING HERE IF POSSIBLE MARCH 10 OR 11
LETTER FOLLOWS REGARDS

SARMA

FAMILY NOTIFICATION BEING MADE FOR MR SARMA (CONFERENCE CONCLUDES MARCH 25)

MT

GENERAL INVESTIGATIVE
DIVISION

FEB 28 9 47 AM 1968

RE: [illegible] (100-441100) (100-441100) (100-441100)

MEMO

TO: DIRECTOR, FBI

FROM: SAC, [illegible] (100-441100) (100-441100) (100-441100)

SUBJECT: [illegible] (100-441100) (100-441100) (100-441100)

RE: [illegible]

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Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 39

February 28, 1968

Dear Dick:

... Enclosed please find the first progress report on the work of Committee Two (Manufactures) prepared by de Fontenay.

As you can see, some initial progress has been made on the general principle, but a number of technical points will have to be settled. Due to their very technical nature, there is little likelihood that they can be settled in the Conference itself.

We shall report on further developments.

With best regards,

Sincerely yours,

A. Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

1960 NOV -4 1110:53

Washington, D.C.
Reconstruction and Development
International Bank for
Director's Development Related Department
Mr. Richard H. Denton

Arthur Karsen

D.K.

Sincerely yours,

With best regards,

We shall report on further developments.

They can be settled in the conference itself.
Due to their very technical nature, there is little likelihood that
principles, but a number of technical points will have to be settled.

As you can see, some initial progress has been made on the General

Committee Two (Manufactures) prepared by the Committee.

Enclosed please find the first progress report on the work of

Dear Dick:

Letter No. 30

February 28, 1968

c/o Ashoka Hotel, New Delhi, India

Telephone - 223-3210

4, VALENIE D'ENVA, BUKIS (10) - BUKIS
ENKOBENI OFFICE:

CHIEF OFFICE - INDEVA BUKIS

INTERNATIONAL DELEGATION ASSOCIATION

CHIEF OFFICE - INDEVA BUKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



OFFICE MEMORANDUM

TO: FILES

DATE: February 26, 1968

FROM: Patrick de Fontenay

SUBJECT: UNCTAD II : First Progress Report on the Work of Committee II
.....

The Second Committee of UNCTAD II is in charge of those items of the agenda of the Conference relating to the export of manufactures and semi-manufactures of developing countries to developed countries. It is Chaired by Mr. Ryan of Australia, Mr. Musoke of Uganda is Vice Chairman and Mr. Mahmood of Pakistan is Rapporteur. The Committee's agenda consists of three topics :

- (a) Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to developed countries.
- (b) A programme for the liberalization and expansion of trade in manufactures and semi-manufactures of interest to developing countries.
- (c) Measures for the promotion, expansion and diversification of exports of manufactures and semi-manufactures.

The discussion of the first item on the Committee's agenda is now well under way and the Committee has completed its review of product coverage, extent of the preferential duty reductions, exclusions from the preferential system, and safeguards and adjustment measures. The discussion was based on two documents, the Charter of Algiers (Part II, Section B) and the Report of the Special Group of OECD on Trade with Developing Countries. The former document embodies the demands of the LDC's, the latter the proposals of the developed countries.

Following are the main points emerging from the discussion of these topics :

1) Product coverage:

The LDC's stressed the importance of including processed agricultural products if the general system of preferences was to be effective. They drew attention to the fact that such products accounted for 20% of the exports of manufactures and semi-manufactures of the developing countries and thought such products were especially important if the least advanced developing countries were to profit

(continued .. 2)

from the system of preferences. They considered that the exclusion of such products would mean, as stated in the OECD report, that broadly equivalent opportunities would not be accorded in all developed countries to all developing countries. Some socialist countries also supported the inclusion of processed agricultural products in a preferential scheme.

The developed countries stated that the words about dealing with "other products on a case-by-case basis" in the OECD report were not intended to preclude the inclusion of processed agricultural products in a scheme of preferences. The main problem had been one of time: a number of developed countries had taken the decision to support the principle of granting preferences only a few months before, and it had not been possible for them to consider the question of agricultural products in detail.

2) Duration of the preferential scheme:

In their report, the OECD countries had suggested a period of 10 years, subject to review toward the end of the period, to decide whether the scheme should be continued, modified or abolished. In the Charter of Algiers, the Group of 77 had suggested an initial period of 20 years, to be reviewed towards the end of the period. No definite opinion was expressed concerning the starting date of the scheme, but some countries informally suggested 1970 or 1971.

3) Extent of preferential duty reductions and exclusions from the scheme:

There seemed to be general agreement that exclusions from the preferential system should be kept to a minimum and that developed countries should aim at a common list of exceptions.

The representatives of developing countries expressed concern, however, lest the list of exceptions should be extensive. That might result from a number of factors, such as the developed countries' definition of manufactures and semi-manufactures, i.e. whether the list included processed agricultural products; the ab initio exclusion of products affecting industries considered sensitive; the exclusion of products already considered to be competitive; the desire to ensure equitable burden sharing; the desire to take account of probable losses of exports to third developed countries; and the automatic exclusion of products subject to quantitative restrictions. There could also be exclusions through the application of rules of origin.

The LDC's suggested that a posteriori protection by means of safeguard measures was preferable to a priori protection through a system of exceptions. They considered that the developed countries should undertake adjustment assistance measures so that products regarded as competitive should not be excluded from the preferential scheme. Some representatives said that products originating from the least developed of the developing countries should not be placed on the exclusion lists.

Some of the developed countries considered that it would be possible to keep the exclusion lists very short, because there would be pressures to keep the number of exceptions small not only from within the national administrations, but from other developed countries and from the developing countries. They considered that there should be stringent and severe criteria for placing products on the exception list.

The others considered that the list of exclusions should be kept to a minimum by the granting of less than duty-free entry or by the use of other limiting devices. Japan considered that products which were already competitive on the present most-favoured-nation basis should not receive preferences and that products subject to quantitative restrictions should be excluded, since efforts should be made to have the quantitative restrictions removed.

The developing countries considered that duty free entry for manufactures and semi-manufactures was essential to provide equality of treatment for exporters in the developing countries with producers in the developed countries, though domestic producers would still have the advantage of not having to bear freight costs.

4) Safeguards and adjustment measures:

There was general agreement that a system of preferences would have to include a safeguard mechanism. Differences arose, however, as to how and under what conditions the safeguard action could be taken.

The developed countries referred to the alternative arrangements of a tariff quota-cum-adjustment procedure and of purely escape clause action. It was pointed out that it had not been possible for these countries to agree upon one method rather than the other. It was mentioned by Canada that the application of a tariff quota would pose several conceptual and administrative difficulties.

The developed countries also drew attention to the difficulties of formulating quantifiable criteria to provide a basis for escape clause because of the many problems of definition, availability of data and interpretation. They felt that it was extremely difficult, if not impossible, to develop and apply objective criteria for escape clause action. However, they felt that escape clause action was bound to be invoked sparingly in a system of preferences. There were several factors which would seem to militate against wholesale resort to the escape clause. There would be resistance at the national level to set too many illiberal precedents for other claimants; there would be the tacit understanding among the developed countries not to upset the balance of burden sharing and finally there would be the pressure from the beneficiary developing countries. It was mentioned by some countries that resort to the escape clause should be subject to international scrutiny, possibly on the lines of the procedure set out in Article XIX of the GATT.

The developed countries also pointed out that the escape clause procedure involved three kinds of safeguard actions namely:

- i) To protect the importing country;
- ii) To protect the developed country suppliers;
- iii) To protect the scheme from over-competitive suppliers.

The developing countries expressed their preference for an escape clause system rather than a tariff quota system.

It is evident from the discussion that a number of technical points remains to be settled, not only between the developing and developed countries but also among the latter, who after extensive discussions on this topic within the OECD have so far agreed only on the general principle of a preferential scheme. Although it is very doubtful that a body of non-experts can solve all the pending issues within the few weeks allocated to them, a so-called "contact group" has been set up by the Committee consisting of a score of representatives from the developing, developed and socialist countries to start negotiating on possible points of agreement.

Headquarters:
Washington, D.C., U. S. A.

SEB



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAPRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:
4, AVENUE D'ÉNA, PARIS (16^e) — FRANCE
Telephone - 553-2510

Letter No. 38

February 28, 1968

Dear Dick:

In the first weeks of the Conference there seems to have been some trouble with the numbering of the letters from Headquarters. There is a letter dated February 5 from Irving Friedman to me which he calls "Letter No. 2". It is a letter of transmittal of a background paper on Bank Estimates of Capital Inflow, for our guidance here in Delhi, worked out by Hawkins under the supervision of Irving himself.

So that we can put our files in order, we ~~would like to know~~ whether "No. 2" used by Irving is part of your numbering system or was it an independent number. In the latter case, we are wondering what happened to No. 1.

*Nos. issued
by Communications
for entire
Bank.*

I am sorry to disturb you with this matter, and thank you in advance.

With best wishes,

Sincerely yours,

A.K.

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

acc March 5/68

Washington, D.C.

Reconstruction and Development
International Bank for
Director's Development Services Department
Mr. Bishop H. Dennis

Arthur Kassis

OK

Sincerely yours,

With best wishes,

advance.

I am sorry to disturb you with this matter, and thank you for
what happened to No. 1.
was it an independent number. In the latter case, we are wondering
whether No. 5 is used by Italy as part of some numbering system or
so that we can put our files in order, we would like to know

myself.
were in Rome, worked out by making under the supervision of Italy
responsible for the on bank estimates of capital income for our advance
we call letter No. 5. If it is a letter of transmission of a
there is a letter dated February 2 from Italy regarding to me which
some trouble with the numbering of the letters from Headquarters.

In the first weeks of the conference there seems to have been

Best Dick:

Letter No. 38

February 28, 1968

Telephone - 223-3210

4' VALUE DESIGN BUREAU (196) - EKVANCE
EUKOBHAI OFFICE:

СНД УЧТ - ИНДЕЛС БУКІС

INTERNATIONAL DEVELOPMENT ASSOCIATION

СНД УЧТ - ИНДЕЛС БУКІС

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C. U.S.A.
Headquarters:

258

Report No. 37

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 37

February 28, 1968

Dear Dick:

Irving Friedman, in his cable No. 13⁴ to Sarma and myself, says that he expects to be in Delhi from about March 13 or 14, and stay here until the end of the Conference. I understand from Jalan that if necessary he can try to come somewhat earlier.

I have consulted Sarma about this. As we can see now but, of course, this is still anyone's guess, a measure of understanding on certain issues may be reached in the last few days of Committee work. Subsequently, in the concluding phase of the Conference, when again the Plenary will meet, further negotiations are expected to take place, essentially at a political level. As you and Irving are aware, the Conference concludes on March 25.

Committee III, which deals with development aid and other financial matters, like the other Committees, is expected to conclude its work by about March 15. The last week, commencing March 11, may prove to be interesting and we ourselves may also have a helpful rôle at this stage. Therefore, Irving may try to come here about March 10, if possible, and then stay on according to convenience.

I would be grateful if you could pass this on to Irving.

With best wishes,

Yours sincerely,

Arthur Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

RECONSTRUCTION and DEVELOPMENT
INFORMATION BANK FOR
DIRECTOR, DEVELOPMENT OF LACIES DEVELOPMENT
MR. BUCHANAN H. DENNIS

0'42"

With best wishes,

March 10, 1968, and then set on according to convenience.
 Note at this stage. Therefore, I think will try to come here soon
 will have to be representing and we ourselves will also be meeting
 the work of some March 12. The last week, commencing March 11,
 Thursday matters, like the other committees, is expected to complete
 Committee III, which gets with development and other.

she smiles, the conference concludes on March 22.
To take these, essentially at a butterfly level. As long as planning
men and the general staff meet, further negotiations are expected
work. Unsurprisingly, in the concluding phase of the conference,
on certain issues will be resolved in the last few days of committee
of course, this is still unknown, I guess, a message of understanding
I have committed some spirit this. As we can see now not

that it necessarily be said that he came somewhat earlier.
that were until the end of the conference. I understand how that
said that he expects to be in Detroit from about March 13 or 14, and
that he expects to be in the city in the early part of the year.

Letter No. 32

8902 58' 1988

c/o Vsevolod Hofel' mem detm' Ingte

Telephone - 223-5210

4. VALUE DURING BASIS (PER) - EVIDENCE
EVIDENCE OFFICE:

СНГ УПРАВЛЕНИЕ - ИНДЕЛЪС БУКИ

INTERNATIONAL DEVELOPMENT ASSOCIATION

СЕРИЯ УЧЕБНОЕ ПОСОБИЕ - ИЗДАТЕЛЬСТВО РАДИО

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Report No. 36

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

Letter No. 36

February 28, 1968

Dear Dick:

... Enclosed please find three reports by Sarma on further meetings of Committee Three (February 23, 26 and 27).

... As you can see, on February 23, Sidney Dell introduced agenda item 12(b) (ii) and (iii) on the terms of aid and external indebtedness.
... I enclose the text of his statement (TD/II/C.3/L.8), as well as the
... reply made by James Mark (UK), to certain generalizations made by Dell in his statement. Mark repeated the well-known UK position on the distinction to be made between commercial credits on the one hand, and aid on the other. He emphasizes that the debt problem cannot be solved by a general formula; it has to be dealt with country by country. He favours intensification of efforts by existing international institutions to provide better advance warning of threatening situations, provided this is done with discretion. He would not favour new institutional arrangements for this purpose.

One quite controversial idea of Dell's is on how to mitigate the adverse effects of tying. "One way would be to treat the excess of the price at which goods are actually supplied over the competitive price as a grant and not a loan." Another would be to subsidize the producers of such goods. Mark has disagreed with both proposals.

On February 27, Dell replied to James Mark's statement. He protested against certain references of the UK delegation to his statement alleging that the Secretariat's statement was prejudiced in several respects. It was quite a curious situation when the Secretariat made an almost formal protest against a statement made by a delegation. With this the incident was closed, at least so far as the public meeting was concerned.

With best regards,

Sincerely yours,

Arthur Karasz
Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Washington, D.C.
Reconstruction and Development
International Bank for
Director's Delegation Services Department
Mr. Richard H. Demery

Alfred Karsa

1981-4 10:56 D'YR

Sincerely yours,

My dear Karsa,

was closed, at least so far as the budget meeting was concerned.
I wrote a statement made by a delegation. With this the incident
differs a little situation when the secretariat made an almost formal
that the secretariat's statement was broadcast in several respects. It was
against certain references of the UK delegation to its statement of being
on February 5, 1981, led to James Mark's statement. He broadcasted

of such goods. Mark was disagreed with both proposals.
as a result and not a loan. Another point is to emphasize the broadcast
by the of which goods are actually subject over the competitive price
adverse effects of this. One may want to be to treat the excess of the
one of the controversial ideas of Dett's is on how to mitigate the

institutional arrangements for this purpose.
broadcast this is done with discretion. He would not want them
institutions to broadcast better advance making of presenting situations
completely. He wants internationalization of efforts by extending international
agreed by a general formula. It has to be dealt with completely by
and so on the other. He emphasizes that the debt program cannot be
the distinction to be made between commercial credits on the one hand,
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... I enclose the text of his statement (ID/II/C.3/P.8) as well as the
item IS(p) (II) and (III) on the terms of aid and external indebtedness.
As you can see, on February 5, 1981, signed Dett introduced agenda

of Committee Three (February 5, 1981 and 5).

... Enclosed please find three reports by James on further meetings

Best Dick:

Letter No. 30

February 5, 1981

c/o Versova Hotel, New Delhi, India

Telephone - 223-3210

* VALENTINE D. DEWY, BAKIS (ID) - FRANCE
BUREAU OF OFFICE:

CHIEF ATTACHE - INDEBTD BAKIS

INTERNATIONAL DELEGATION ASSOCIATION

CHIEF ATTACHE - INDEBTD BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



UNCTAD II : COMMITTEE III

February 23, 1968 (3.00 p.m.)

Mr. Karasz made a statement dealing with the main points made in the course of the discussion in the Committee and in the Algiers Charter pertaining to the World Bank Group.

Turkey, Ukraine, Rumania, Afghanistan, China, Rwanda and Somalia were among the countries which made fairly brief statements.

Chile referred to the difficult dilemmas faced by LDC's in decision making; for instance, the inter-relationships between land reforms and agricultural productivity.

Spain attached the highest importance to education and to maintenance of a balance between agriculture and industry in the development of a country. The representative expressed the appreciation of his country for the technical assistance given by the World Bank staff, especially for their economic report which proved most useful.

Senegal was of the view that the appropriate internal measures were for a country itself to decide on; this is the reason why the Algiers Charter did not go into any detail in regard to specific policy measures.

The representative of Uganda referred to the high proportion of investment outlays that was met from domestic resources in a number of LDC's, which was a clear recognition of their own primary responsibility for development. He outlined steps taken in his country since Independence. However, despite all such efforts, export earnings of these countries were not likely to improve noticeably. The World Bank which was not financing projects should, in his opinion, consider a development program as a whole.

Before the general discussion on this agenda item (domestic resources) concluded, at the suggestion of the Chairman, Mr. Sidney Dell made a statement on problems of external indebtedness and terms and conditions of aid (the next main agenda item).

Mr. Dell, in his statement, referred to the sizeable proportion of debt servicing in gross capital flows, and the manner in which commercial credits were compounding the debt problem. The tying of aid was a further complication; this rendered the effective rates of interest substantially higher than the nominal rates which were themselves high. Essentially, the terms of tied aid should be softer than those of untied aid. He posed the following questions:

- 1) Is the Committee prepared to endorse the Agreed Statement on aid terms, and go even further?

(continued 2)

- 2) The liberalization of aid tying, and effort to mitigate its adverse effects;
- 3) Regulate suppliers credits with a view to rendering them more useful for development;
- 4) Possible measures to prevent the emergence of debt crisis situations, and how to deal with hard debt burden cases.

N. A. Sarma

N. A. Sarma

cc: Mr. Karasz (2)
Mr. de Fontenay

UNCTAD II : COMMITTEE III

February 26, 1968 (3.00 p.m.)

Debt problems, and terms and conditions of aid, were taken up for discussion.

Denmark, speaking on behalf of the Nordic countries, referred to the DAC and U.N. resolutions on terms of aid, with full approval. These countries also supported the proposals in the Algiers Charter on the subject. The donor countries should start discussions among themselves for simultaneous reduction of aid tying, with a view to its final elimination. This Committee, in their view, might also consider suitable measures to mitigate the excess cost of aid tying for LDC's.

Israel advocated the setting up of a special Economic Advisory Service within the U.N. Organization, say, in the U.N. Development Program, which could serve as a clearing house for various purposes, in particular for the preparation of specific projects.

Mr. Mark, on behalf of the U.K., made a clear statement covering the various issues involved. Both donor and recipient countries were to blame for the situation that had arisen; in fact, it was a variety of debt situations that prevailed.

He was critical of Mr. Dell's presentation of issues: in his view, Mr. Dell failed to distinguish between the purposes of aid and commercial credits and between the situations faced by individual developing countries. Mr. Dell had also offered conclusions on the basis of a simple extrapolation of the facts with respect to only three countries.

On the question of commercial credits, the IBRD report was interesting but its balance was affected by the fact that the Bank was concerned, not unnaturally, with the use of commercial credit for development.

As for the re-scheduling and consolidation of debt, the debt problems can only be dealt with country-by-country; in fact, it was even more important to prevent critical situations from arising. The responsibility rested on credit givers and credit takers.

The U.K. favoured the progressive un-tying of aid by all donors; however, in the present circumstances, this would result in less volume of aid. Further, the particular difficulties of certain countries arising from their balance-of-payments position had to be recognised.

N. A. Sarma

N. A. Sarma

cc: Mr. Karasz (2)
Mr. de Fontenay

UNCTAD II : COMMITTEE III

February 27, 1968 (10.30 a.m.)

The Chairman summed up the discussions on agenda items relating to external and internal resources.

Mr. Dell took exception to certain references made by Mr. Mark to his earlier statement introducing the agenda items on Debt and Conditions of Aid. Specifically, Mr. Dell wanted to know where exactly the U.K. delegate found imbalance and prejudice in his statement.

Mr. Hodder stated that Canada had more than met the recommendations of the U.N. and DAC resolutions on the subject of aid terms; Canada's aid was in grant form to the extent of 90%, and the rest was in soft loans. Canada also provided for the financing of local costs and for purchases in other developing countries to the extent of about 25% of her aid. Finally, if bilateral aid programs were here to stay for the foreseeable future, the best thing would be to try and co-ordinate them, through a systematic process of consultations through existing financial organizations.

Ambassador Swaminathan of India extended full support to the statement by Mr. Dell on the subject; Mr. Dell had furnished a most objective assessment of the situation. He referred to the Marshall Plan aid terms to the countries of Europe, in particular the highly concessional terms at which substantial loan assistance was provided to the U.K. In this connexion, he recalled the so-called Bisque clause which provided for waiver of interest payments whenever the debtor country faced balance-of-payments difficulties. Such a provision would be most relevant to development finance today.

The balance-of-payments difficulties of the industrially advanced countries were mostly due to certain disequilibrium among themselves; there was no reason why these should be unloaded on to the weak LDC's, through aid tying.

Australia stated that its aid was mostly in grant and grantlike form; such tied aid imposed no burdens on recipient countries.

Yugoslavia stated that the transfer of bank profits to IDA should continue at as high a level as possible.

N. A. Sarma

N. A. Sarma

cc: Mr. Karasz (2)
Mr. de Fontenay

OUTGOING WIRE

TO: INTBAFRAD ~~FOR~~
~~KARASZ~~
NEW DELHI

DATE: FEBRUARY 27, 1968

CLASS OF
SERVICE: LT

COUNTRY: INDIA

RCF

TEXT:
Cable No.: 14 *FOR KARASZ*

2/19
2/21
REURLETS 24 AND 26 PRIMO AFTER UNCTAD I PREBISCH ON VARIOUS OCCASIONS
APPROACHED BANK ON POSSIBILITY FINANCING BUFFER STOCKS WITH NEGATIVE
REACTIONS STOP SO FAR BANK APPROACH TO SOLUTION COMMODITY PROBLEM HAS
BEEN THROUGH ASSISTING DIVERSIFICATION LDC ECONOMIES STOP RIO STUDY IS
PROBLEMS AND GROUP
EXAMINING POSSIBILITIES OF BANK ASSISTANCE TO COMMODITY STABILIZATION
SCHEMES ~~IN THE FIELD OF~~ SHOULD ADEQUATE RESOURCES BE AVAILABLE STOP
WOULD BE INAPPROPRIATE FOR BANK TO SPECULATE ON ITS EVENTUAL ROLE IN THIS
MATTER UNTIL COMPLETION STAFF WORK ON RIO RESOLUTION AND CONSIDERATION OF
STUDY BY EXECUTIVE DIRECTORS STOP SECUNDO OFFICIAL TRANSMISSION COMMODITY
STUDY TO UNCTAD AFTER ITS SUBMISSION TO BOARD OF GOVERNORS WOULD NOT SEEM
CREATE ANY PROBLEM STOP IT IS LIKELY IN ANY EVENT TO BE PUBLISHED

DEMUTH

ack March 2

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Richard H. Demuth

DEPT. Development Services

SIGNATURE

[Signature]
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)
FConsolo/RHDemuth/mncd

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Cleared with and cc: Mr. Avramovic *Av*
Mr. Friedman *Mr. Friedman*

LSF

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Checked for Dispatch: *[Signature]*

INTERNATIONAL DEVELOPMENT
ASSOCIATION

RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL BANK FOR

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: INTRABANK
KARACHI
NEW DELHI

DATE: FEBRUARY 27, 1968

CLASS OF
SERVICE: LT

COUNTRY: INDIA

TEXT:
Cable No. 14

FOR KARACHI

REUNITE 21 AND 26 PRIMO AFTER UNCTAD I PRESENT ON VARIOUS OCCASIONS
APPROACHED BANK ON POSSIBILITY FINANCING BUFFER STOCKS WITH NEGATIVE
REACTIONS STOP SO FAR BANK APPROACH TO SOLUTION COMMODITY PROBLEM HAS
BEEN THROUGH ASSISTING DIVERSIFICATION IDC ECONOMIES STOP RIO STUDY IS
EXAMINING POSSIBILITIES OF BANK ASSISTANCE TO COMMODITY STABILIZATION
SCHEMES ~~IN THE AREA OF~~ SHOULD ADEQUATE RESOURCES BE AVAILABLE STOP
WOULD BE INAPPROPRIATE FOR BANK TO SPECULATE ON ITS EVENTUAL ROLE IN THIS
MATTER UNTIL COMPLETION STAFF WORK ON RIO RESOLUTION AND CONSIDERATION OF
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STUDY TO UNCTAD AFTER ITS SUBMISSION TO BOARD OF GOVERNORS WOULD NOT BE
GREATE ANY PROBLEM STOP IT IS LIKELY IN ANY EVENT TO BE PUBLISHED

DEMUH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME: Richard H. Demuth

DEPT: Development Services

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)
F. G. P. / R. H. Demuth

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COMMUNICATIONS
SECTION

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22-6922

February 27, 1968

Dear Mr. Wright:

Mr. George D. Woods, President of the Bank, asked me to acknowledge your letter of February 16th and to thank you for taking the time to express your reactions to his address to the meeting of the United Nations Committee on Trade and Development in New Delhi recently.

Sincerely yours,

Lars J. Lind
Deputy Director of Information

Mr. Samuel C. Wright
7172 La Presa Drive
Hollywood, California

LL:TN:jas
c.c. Mr. Woods with incoming

OUTGOING WIRE

TO: KARASZ
ASHOKA HOTEL
NEW DELHI

DATE: FEBRUARY 27, 1968

CLASS OF
SERVICE: LT

COUNTRY: INDIA

TEXT:
Cable No.: 15

REURLET FEBRUARY 22 FIRST IRVING COMING NEW DELHI TO MAKE APPEARANCE AND
TALK TO VARIOUS UNCTAD AND DELEGATION PERSONALITIES. HE DOES NOT REPEAT
NOT WISH TO LEAD BANK DELEGATION AND YOUR ROLE AND METHOD OF OPERATION
WILL REMAIN UNAFFECTED. SECOND IRVING CONFIRMS JALAN INFORMATION NOT
INCONSISTENT WITH YOUR INSTRUCTIONS WHICH YOU WILL CONTINUE TO RECEIVE
FROM ME ON ALL POINTS. IF DOUBT CREATED ON ANY PARTICULAR POINT PLEASE
CABLE. REGARDS

DEMUTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY

NAME Richard H. Demuth

DEPT. Development Services

SIGNATURE
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

RHD:tf

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Friedman
Mr. Consolo

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(IMPORTANT: See Secretaries Guide for preparing form)

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO:

KARAS
ASHOKA HOSPITAL
NEW DELHI

COUNTRY:

INDIA

TEXT:

Cable No.

IS

DATE:

FEBRUARY 27, 1968

CLASS OF
SERVICE: 12

RCM

REURTEL FEBRUARY 22 FIRST IRVING COMING NEW DELHI TO MAKE APPEARANCE AND
TALK TO VARIOUS UNCTAD AND DELEGATION PERSONALITIES. HE DOES NOT REPEAT
NOT WISH TO LEAD BANK DELEGATION AND YOUR ROLE AND METHOD OF OPERATION
WILL REMAIN UNAFFECTED. SECOND IRVING CONFIRMS JAPAN INFORMATION NOT
INCONSISTENT WITH YOUR INSTRUCTIONS WHICH YOU WILL CONTINUE TO RECEIVE
FROM ME ON ALL POINTS. IF DOUBT CREATED ON ANY PARTICULAR POINT PLEASE
CABLE. REGARDS

DEMUH

NOT TO BE TRANSMITTED

CLEARANCES AND COPY DISTRIBUTION

cc: Mr. Friedman
Mr. Conzolo

For Use by Archives Division

Checked for Dispatch

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

RHD:ef

ORIGINAL (File Copy)

(IMPORTANT: See Secretariat Guide for preparing form)

NAME

Richard B. Demuth
11:55 AM 1968

DEPT.

Development Services

SIGNATURE

[Handwritten signature]

February 27, 1968

Dear Mr. Oza:

Mr. George D. Woods, President of the World Bank, asked me to acknowledge receipt of your thoughtful letter of February 12th addressed to him at the meeting of UNCTAD-II in New Delhi, and to thank you for your generous response to his address to that gathering. He is also grateful to you for sending your own thoughts about some of the problems of development which he discussed in his address.

Sincerely yours,

Lars J. Lind
Deputy Director of Information

Mr. A.V. Oza
100 Jawahar Nagan
Room No. 4, 1st Floor
Goregaon (West)
Bombay 62, India

LL:TN:jas
c.c. Mr. Woods with incoming

Report No. 35

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi,
India

Letter No. 35

February 27, 1968

Dear Dick:

I enclose a second progress report prepared by de Fontenay on the work of Committee I (February 22, 1968).

It is a very interesting paper. As you can see, considerable attention is focused on the financing of buffer stocks and even countries like Canada and Germany say that existing international financing agencies could be a second source of funds for prefinancing.

I wonder whether we should reflect on this point or would it be preferable to wait for further discussions? Maybe I will cable you on the basis of this week's meetings.

With best regards,

Sincerely yours,

A. Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Washington, D.C.

Reconstruction and Development
International Bank for
Director Development Services Department
Mr. Richard H. Dennis

Arthur Karsas

Sincerely yours,

With best regards,

You on the basis of this week's meetings.

be preferable to wait for further discussions; maybe I will say

I wonder whether we should reflect on this point or would it

financing agencies could be a second source of funds for bridging.
countries like Canada and Germany say that existing international
attention is focused on the financing of public works and even

It is a very interesting paper. As you can see, considerable

the work of Committee I (February 55, 1968).

I enclose a second progress report prepared by the Committee on

Dear Dick:

Letter No. 32

February 55, 1968

India
C/o Varok Hotel, New Delhi

Telephone - 223-3210

* YALOWE D. ENY, BUKIS (P.E.) - BUKING
BUKOBENI OFFICE:

C.P. YALOWE - INDIA BUKIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

C.P. YALOWE - INDIA BUKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



OFFICE MEMORANDUM

TO: FILES

FROM: Patrick de Fontenay *pf*

SUBJECT: UNCTAD II : Second Progress Report on the Work of Committee I
.....

DATE: February 22, 1968

Committee I completed today the discussion of the following items of its agenda :

(a) Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities.

(b) Operation and financing of buffer stocks. In order to focus the discussion on more precise issues, the Secretariat had prepared a list of four questions :-

- (i) Can the Committee arrive at an agreed list of specific commodities for which commodity stabilization or other arrangements should be urgently considered?
- (ii) Should a general timetable be laid down for consultations by interested governments concerning the practicability of such arrangements for the individual commodities concerned?
- (iii) If a buffer stock appears to be desirable as part of an international commodity arrangement, what provisions should be made for its pre-financing.
- (iv) Would it be desirable for a regular review to be made, for example on an annual basis, of progress in the field of commodity stabilization or other arrangements?

Following are the major points arising from the discussion of these topics :-

1) PRICING POLICY:

The discussion of pricing policy centered on the provisions of the Charter of Algiers whose authors considered it necessary :

- (a) To eliminate excessive price fluctuations;
- (b) To obtain the highest possible earnings from exports of primary products;

(continued ... 2)

- (c) To maintain the purchasing power of the products exported by developing countries;
- (d) To ensure that the developed countries would undertake to assist in achieving more stable and higher prices for unprocessed and processed commodities from developing countries;

All groups favoured action on the first point, they also generally supported the second one, with the reservation that it did not necessarily call for the highest possible prices: by artificially raising the price of a commodity, its consumption might be discouraged and its replacement by substitutes encouraged. The developing countries all asked, however, for a "remunerative" price for the commodities they produce and suggested that a minimum price be fixed which would guarantee a minimum income to the producers. In this connection, the Central African Republic, supported by a number of African Delegations and by the Holy See, introduced a draft resolution calling for "a general study to provide the main elements on a rational basis for fixing "a guaranteed minimum agricultural wage". With respect to the third point the developed countries stressed the difficulty of linking the prices of primary commodities to those of industrial products. On the fourth point, the Netherlands warned the LDC's against demanding a dual pricing policy under which a processed or semi-processed commodity would be sold on the international market at prices inconsistent with the prices of the primary commodities.

2) STABILIZATION TECHNIQUES:

The developing countries, as per the Algiers Charter, emphasized the use of buffer stocks as a stabilization technique, while recognizing that it was designed only for short-term stabilization and that other techniques such as export quotas, bilateral contracts and reserve stocks should also be considered. The developed countries did not share the LDC's enthusiasm for buffer stocks. They stressed that buffer stocks were only one possible technique of stabilization, that the number of products suitable for buffer stock arrangements was limited, and that the use of buffer stocks should be avoided in those cases where a disequilibrium between production and consumption was evident. The socialist countries considered buffer stocks less important than bilateral agreements and long-term contracts. A short controversy arose between the LDC's and developed countries, and also among the latter group, on the possible terms of reference for buffer stock management. The LDC's and France asked that buffer stocks be allowed to intervene on the forward commodity markets. Germany, on the other hand, thought that buffer stock interventions should be confined to the spot market.

3) FINANCING OF BUFFER STOCKS:

The LDC's stood by the Algiers Charter which calls for the pre-financing of buffer stocks by international financial institutions and developed countries. In this respect, the delegate from the Ivory Coast mentioned in his statement that "some optimism was currently being felt about possible changes in the World Bank policy". After the meeting he indicated that this referred to conversations that had taken place on this topic between the Bank's management and Dr. Prebisch, and to the current Bank-Fund Study. Mexico, however, suggested that private sources of funds be explored.

With regard to the regular financing of buffer stocks, the LDC's asked that the cost be shared equitably between producing and consuming countries. Finally, some LDC's favoured the creation of a Central Fund for Commodity Stabilization.

The developed countries admitted the participation of consuming countries and international institutions in the pre-financing of buffer stocks, but they suggested that the possibility of mobilizing private capital be explored first. Canada and Germany mentioned specifically existing international financing agencies as the second possible source of funds for the pre-financing of buffer stocks. At any rate, they all agreed that no commitment on this matter could be made before the results of the Bank-Fund Study were available. France indicated that the Secretary-General of UNCTAD should express its interest in the Study and request that it be officially transmitted to UNCTAD. All developed countries rejected the suggestion of a Central Buffer Stock Fund. They generally supported the principle of equitable sharing by producing and consuming countries of the regular financing of buffer stocks.

4) POINTS OF DISCUSSION PRESENTED BY THE SECRETARIAT:

General agreement was expressed with respect to the first two points presented by the Secretariat. The LDC's favoured the drawing up of a list of commodities such as the one in the Algiers Charter. The developed countries were ready to examine the list but, generally, thought that it should be reduced. Everybody agreed on the need to resume negotiations on cocoa and to initiate negotiations on sugar and fats and oils.

The LDC's were in favour of arriving at a timetable for negotiations under the auspices of UNCTAD on commodities on the agreed list. The developed countries were generally amenable to the suggestion but asked that the timetable be sufficiently flexible. France proposed that the list should first be drawn up of the commodities such as cocoa or sugar on which the Secretariat should take action. As for other commodities, a list should be prepared indicating those for which arrangements should be concluded and the Secretary-General of UNCTAD should consult delegations about the opening of negotiations. For a third category of products, the

Committee should request the Secretary-General to have studies undertaken as a matter of priority on inter-governmental action and to submit a report at the Meeting of the Board to be held in late 1968.

With respect to a review mechanism in the field of commodity arrangements, everybody agreed that the existing UNCTAD machinery was adequate and sufficient.

The Committee has agreed to revise its agenda as follows:

- Three Meetings on : "Problems arising from the development of synthetics and substitutes".
- Four Meetings on : "Role and financing of diversification programmes".
- Five Meetings on : "Programme for the liberalization and expansion of trade commodities of interest to developing countries".
- Eight Meetings on : "Drafting of a general commodity agreement, if it should be decided to have such an agreement, and on the final report".

The Committee has also decided, following the example of other Committees, to set up a so-called "contact group" consisting of representatives of the developed, developing and socialist countries, which would start negotiating on possible points of agreement.

ROUTING SLIP

Date

Feb. 26, 1968

OFFICE OF THE PRESIDENT

Name

Room No.

1. ~~Mr. Demuth~~ *W. G. Cargill*

2. ~~Mr. Friedman~~

3. ~~Mr. Cargill~~ *W. G. Cargill*

602

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Appropriate Disposition

Note and Return

Approval

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Per Our Conversation

Full Report

Recommendation

XX Information

Signature

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Remarks

G.D. Woods
G.D. Woods

From

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Industry House
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Bombay 1

U.N.C.T.A.D. : The First Fortnight in Retrospect

(BY A SPECIAL CORRESPONDENT)

THE current meeting in New Delhi of the U.N. Conference on Trade and Development has highlighted the wide gap between what the developing countries need and what the developed nations can give, to solve the world's biggest problem of poverty and hunger. But it would be wrong to imagine that the U.N.C.T.A.D.-II would suddenly lead to a loosening of the purse strings of the richer nations and increase the flow of aid to the developing countries in the near future.

There were two distinct strains in the speeches of the principal participants, notably the spokesmen of international organisations such as U Thant, George Woods and Raul Prebisch. One was that it was in the interest of the advanced nations themselves to do the maximum possible to fight poverty on a global scale. Peace was indivisible and so was progress, and the two were interlinked, Mrs. Gandhi aptly pointed out in her inaugural speech. The sentiments were echoed by those who spoke for the U.N. and allied agencies. The other was that the developing nations had to do a lot more than they have been able to do so far to help themselves.

Human nature being what it is, the developed and the developing nations stressed their respective difficulties in their statements and tended to gloss over their duties, the poor asking for everything and the rich offering practically nothing more than what they have already given. In the process some harsh truths were uttered by both sides. It is in the nature of diplomatic negotiations that opposite sides should start by taking rigid postures. What happened during the first fortnight of the U.N.C.T.A.D., therefore, need not be a fair indication of what may happen during its last few days towards the end of next month.

The most forthright and balanced exposition of the problem came from Mr. George Woods, President of the World Bank. What he said was particularly bitter for India even though it was a bitter truth. India was the only country Mr. Woods chose to criticise by name and did so severely. It was a sign of maturity that the authorities in New Delhi took the comment in the spirit in which it was meant. Since

Mr. Woods has been a great champion of the Indian cause, his well-meaning criticism should not be misunderstood.

Mr. Woods had perhaps a special reason to attack India by name. Although India is the largest recipient of foreign aid, she has lately been passing through acute economic difficulties. This has made several friends abroad despair about her future. The latest report on the economic situation in India by a team of experts from the World Bank paints a very gloomy picture of the country's economy. Mr. Woods' description of India as a country "where hope has dwindled towards despondency" perhaps aptly summed up the main contents of the report which has estimated India's balance-of-payments deficit at around \$1,800 million this year without any hope of improvement in the foreseeable future.

What Mr. Woods had to say about developing countries in general was equally forthright, though unpalatable. He felt that one of the basic shortcomings of these countries was the failure of leadership. It was a "leadership which does not lead". It tries to place the blame for internal mismanagement on other countries, and finds it difficult to enforce measures that call for some sacrifice for the sake of a better future. Agriculture was still not receiving the attention it deserved and the population problem, the most "stubborn of all", had hardly been tackled with earnestness. All these are hard realities and no amount of foreign aid can improve conditions in countries which are not prepared to take the basic steps suggested by Mr. Woods.

Having delivered a tough sermon to the poor nations, Mr. Woods was equally unsparing on the rich. He told them that two-thirds of humanity today lived in the poorer countries. Due to their faster growth they would account for three-fourths of the world's population by the end of the century. At the same time, the wealth of the richer nations will increase. Their gross national product is now \$1,500,000 million. It will grow to \$6,000,000 million, a four-fold increase, by the end of the century. This will lead to a fantastic gap in the standards

of living of the one-fourth of mankind living in the rich countries and the three-fourths living in the poorer nations. The social and political consequences of such a startling gap in a shrunken world can easily be imagined, the World Bank President pointed out. From this it followed that a massive effort by the rich peoples of the world to uplift their poorer brethren was inescapable.

U Thant, the U.N. Secretary General, added another dimension to the same theme when he said that "with or without" aid and "with or without" trade benefits, the developing countries "will" somehow find their way out of their present poverty. The real question before mankind was how this should be done. Should it be done through an "autarchic pattern of development" or should it be achieved through "peaceful and democratic methods?"

Perhaps, as Mr. Woods said in his speech, "there is no such thing as instant or painless development. Development requires deep-seated changes; these are not only going to take time, as more and more people are beginning to realise but they no doubt will lead to continuing turbulence and even violence. For this, the nations providing assistance must realistically be prepared; they must not be discouraged or deterred".

Thus, while a certain element of "turbulence" or unsettling change was inevitable in the process of development, U Thant was posing really a more basic issue, that of making a hard choice between a system of co-operation between the rich and the poor on the one hand and their complete segregation from each other on the other. The Secretary-General perhaps had the example of communist China which has chosen the later path. This has meant that one-fourth of mankind has entered a stage of self-imposed isolation; with what results to itself and the world only the future can tell.

In this three-cornered confrontation—between the rich, the poor and the international mediators—the Russian bloc of socialist countries seemed to be playing only a passive role, something which was not good for the morale of either the rich or the poor. The leader of the Russian delegation supported the developing countries' demand for aid, but he looked upon aid as "only partial compensation of the damage caused to developing countries as a result of colonial domination and neo-

colonialistic policy". The demand, the Russian delegate, Mr. N. S. Patolichev, said was "justifiably addressed" to the "developed capitalist States". He clearly implied that it was not addressed to Russia and the other socialist States. But here he was totally wrong.

By such a statement Russia can hardly claim to have championed the cause of the less developed or of having been of much help to them. Aid is being sought not as compensation for past injustice but as part of a new "global strategy" of peaceful co-existence which Russia has been supporting for a long time. The Russian delegate reminded the world of the supreme sacrifices made by the people of his country to reach the stage of development they have now achieved. Mr. Patolichev was only saying politely what the leader of the delegation of the European Economic Community said a bit more bluntly—that the primary responsibility for development lay on the developing countries themselves. But it would be as deplorable for Russia as for the developed nations of the West to assume that this absolves the socialist countries of their res-

pensibility to do anything by way of direct aid to the poor nations.

The only point which the Russian delegate seemed to emphasise with some vehemence related to East-West trade. He wanted restrictions on trade between the socialist countries and the developed western countries to be removed. It is not yet very clear whether, in addition to helping the socialist countries, this measure would also help the developing countries. What Russia has to realise is that the socialist system has a greater stake in the quick progress of the developing countries than the advanced "capitalist" countries.

A heartening feature of aid in recent years (and this was justifiably taken note of by both U Thant and Mr. Woods) is the keen interest shown by the smaller among the developed countries in assisting the less developed nations. Canada, Denmark, the Netherlands, Sweden, Australia and New Zealand are notable examples of countries which are doing their bit to improve the conditions of aid. They have decided to "increase their budgets for development assistance, in some cases by as much as 25 per cent annually over the next few years". This is not only welcome in view of the balance-of-payments difficulties of the major donor countries, but also because it generates a better atmosphere for aid. Canada's willingness to untie part of its aid and the stress laid by Australia and New Zealand on giving grants rather than credits are helpful signs.

But it remains a fact that the major burden of the responsibility to give aid will have to be borne by the few more rich among the richer nations, namely, the U.S.A., West Germany, the U.K., France and Japan and, of course, Russia. From the Russian delegate's speech, it seemed obvious that his country does not wish to participate as yet in an international scheme to give assistance and wishes to pursue its own independent policies in the matter. This leaves the few major western countries to shoulder the burden with the help of the smaller members of the far-flung western community.

The immediate response of the major countries, especially the U.S.A., France and the U.K., cannot be described as being very helpful. While the U.S.A. and the U.K. have tried to project their balance-of-payments difficulties, France has tended to stress its

selective approach of assisting countries with whom it has traditional ties. As was correctly pointed out by the majority of speakers, the "temporary" balance-of-payments difficulties of the rich should not obscure the more fundamental and more urgent long-term objectives that were vital for the survival of human civilisation. Also, it was stated by many that the difficulties the rich were now facing were nothing compared with the extreme privations and hazards the poor nations have been going through. France was no doubt justifiably proud that it was contributing to the poorer countries more than the targeted 1 per cent of its gross national product, but it could perhaps be more universal in its generosity.

In all this talk, the same message of the Pope long before the U.N.C.T.A.D. seems to have been lost upon all the participants. The Pope had said that the rich nations could ignore at their own peril the urgent need to help the poor generously. Help could be given by allotting a part of their resources now spent on the arms race for development in the backward regions. The very timely appeal of the Pope seems to have been lost upon the delegates. But this appeal should be heeded not only by the developed but also by the developing nations. Countries which are struggling for survival simply cannot afford to waste scarce resources on building up armies on a lavish scale merely to destroy each other. Such chauvinism does not go well with the appeal for aid. Clearly, a policy for peace among the developing should go side by side with a policy for aid. The developing nations are the loudest in appealing for peace among the Powers but are least inclined to address the same appeal to themselves and to practise it.

The less developed powers have also shown a poor understanding of the world economic situation by not being more accommodating to each other. India, for instance, has been loudly pleading for policies which would benefit the more developed among the developing, but has been lukewarm about those meant to benefit others among the "77". She prefers generalised preferences on manufactures and semi-manufactures to commodity agreements. In the field of aid, she is not too vocal on the issue of supplementary financing as it may mean diversion of the aid she now receives through bilateral arrangements to other less developed nations. Multilateral giving will also mean multilateral taking. This India seems to fear,



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The U.N.C.T.A.D. Session Discusses the Issue of Reverse Preferences

(FROM OUR NEW DELHI CORRESPONDENT)

A minor cold war came to the surface in the U.N.C.T.A.D. session last week concerning the issue of reverse preferences. The leader of the U. S. delegation, Mr. Eugene Rostow, claimed that such preferences often burdened developing countries by increasing the cost of their imports.

THE U.N.C.T.A.D. session dominated the past week in New Delhi. A minor cold war came to the surface, when the communist spokesmen, mainly Bulgarian and Russian, attacked the war in Vietnam and demanded the representation of East Germans at the conference. Looking back, it could be said that the Communists left no impact on the conference largely because they had nothing to offer. Neither have they contributed nor have they promised to set aside 1 per cent of their gross national product for aid to developing countries. Their main strategy appears to be to destroy the market economy in

the developed countries by marching over the shoulders of developing countries. This is what the leader of the Russian delegation, Mr. Patolich, said at the conference.

"We maintain that western countries should remove quantitative and other restrictions on imports from socialist countries, that these countries should abolish prohibitions and limitations in relation to exports of goods to socialist countries, and that the countries of the East and the West should build their trade relations on the most favoured nation principle.

"We stand for the conclusion of commodity stabilisation agreements on such important goods as cocoa, beans, sugar, oilseeds, vegetable oils, cotton, citrus, bananas, lead and zinc, petroleum, copper as well as iron and manganese ores and hard fibres.

"Conditions of trade accorded by developing countries to socialist States

should not be less favourable than those granted to developed capitalist countries."

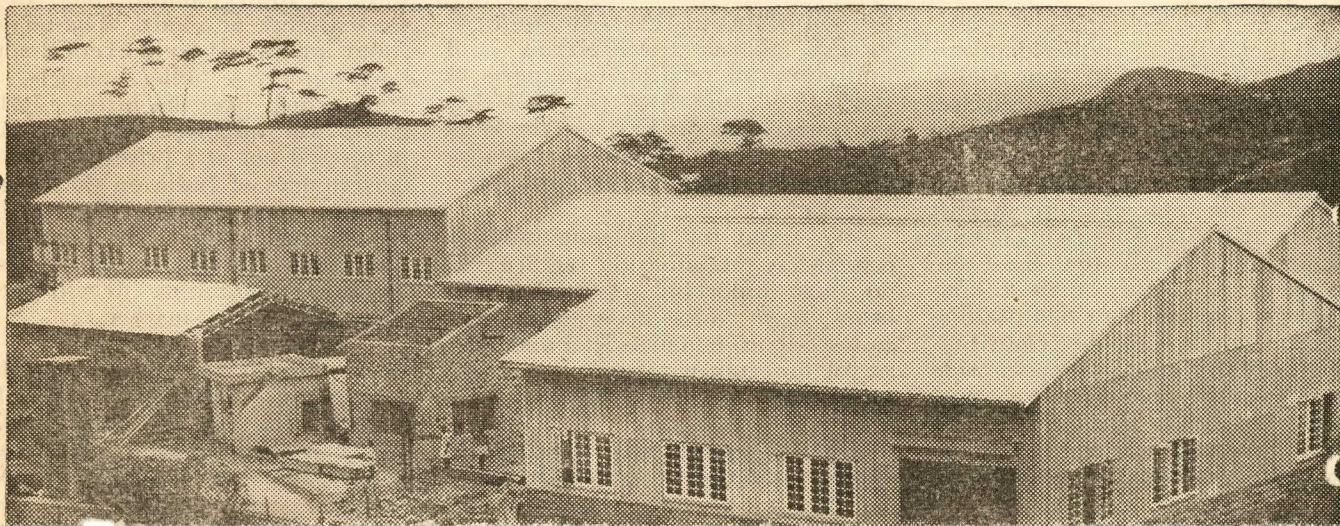
Beyond detailing their achievements in India and the United Arab Republic, the Russian delegate did not discuss how his country proposed to liberalise imports, even from the developing countries. It is true that both Russia and Czechoslovakia have offered to buy manufactured articles, particularly from their own-created units from India. The question of price, however, is of basic importance. Unlike Indian exports to the West, those to the communist bloc are by the exchange of goods. The socialist countries, having no market economy, have only one seller, namely, the State, which fixes the prices. Indian goods are imported on negotiated prices and not at a price fixed by the Government of India on the basis of the cost of production of an article. As reported earlier, the communist bloc dislikes to trade with the State Trading Corporation. It will like to trade in the open market.

The French and the German delegations spoke some home truths. The German delegate, Dr. Karl Schillar, said that "development policy must be based on the political economy

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and not on a political myth". This means also that aid given by the industrialised countries must be accompanied by an adequate economic and financial policy in the developing countries."

The French delegate, Mr. Michel Debre, went a step further. He asserted that "there is no magic medicine which eliminates the need for work and productive effort. We must, therefore, be on our guard against certain formulae which encourage the belief that all countries can benefit, systematically and uninterruptedly, from the artificial creation of monetary liquidity. Aid to the developing countries must be subtracted from the income of the developed countries; it means, that is to say, a transfer of wealth, rendered possible by their steady growth."

There is not only a conflict between the socialist and industrialised capitalist countries, but also between developing countries and highly industrialised capitalist countries. Differences have arisen over what are called the "reverse preferences", such as Commonwealth preferences and the preferences prevailing between France and its African zone.

The leader of the U.S. delegation, Mr. Eugene Rostow, made a pointed reference to the issue of "reverse preferences." He claimed that "such preferences often burden developing countries by increasing the cost of their imports. He added that "while we recognise that there are reasons for these preferences, reasons of history in some cases, or as compensation for aid programmes in others, they have become an anachronism. The recipients of 'reverse preferences' have often stated that they do not insist on these preferences, and that it is up to the developing countries themselves to decide whether they should be continued. For its part, the United States has already agreed with the one country which grants 'reverse preferences' to us, the Republic of the Philippines, that the 'reverse preferences' will not be extended when the present agreement expires. For us, there is an element of equity in this issue: is it reasonable that the United States should give a preferred position in the American market to the products of countries which discriminate against American goods? I believe the question answers itself."

The demand had a mixed reception. While the Commonwealth countries, and in particular, Britain and Canada were prepared to discuss

the issue, the French reply was a categorical "no".

Both the U.S. and German delegates emphasised the role of private capital which, in addition to finance, could provide technical know-how and managerial skill. Mr. Rostow said that "those who focus on the economic resources which the Governments of free-enterprise nations are able to provide are looking at the peak of the iceberg—not to the larger resources which support it." He cited statements in a report by the U.N.C.T.A.D. Secretary-General, Dr. Raul Prebisch, showing that from 1961 to 1965, the more rapidly growing countries received an average of \$2 80c. a head annually in private, long-term investment, compared with only 23 cents in countries where growth lagged behind.

The British delegate, Mr. Crosland, avoided most of the controversies. He made it clear that his country, for the present, could not increase the amount of aid, adding that "its flow could not be increased simply by setting higher targets but would be more influenced by the taxpayer's belief that this aid was making an effective contribution to development. Despite the United Kingdom's present balance-of-payments difficulties, which inevitably resulted also in a reduction of its commitments overseas, the Government even now foresaw certain increases in the fairly near future: the U.K. contribution to the replenishment of the funds of the International Development Association (I.D.A.), additional aid for food supplies agreed on during the Kennedy Round, and further economic aid to Malaysia and Singapore to help deal with the economic consequences of the United Kingdom's military withdrawal".

While various delegates were trying to score points, Canada came out with a clear-cut statement of her plan to assist the developing countries. Its leader, Mr. Robert Winters, told the conference that "it is not enough simply to increase the flow of aid. Greater assurance must be provided so that aid will be forthcoming at levels sufficient to support the long-term objectives of national development plans. To help provide that assurance, Canada has now introduced a policy of forward commitments up to five years for countries where she has major aid programmes. This enables Canadian assistance to be much more effectively integrated with national development plans. It also helps these countries to undertake

long-term planning on a more rational basis.

"Canada is prepared to consider further steps to counter any harmful effects which may arise from the tying of aid. In our bilateral programmes, we will continue to concentrate on the provision of goods where we are competitive. Wherever feasible, however, we are willing to subject the provision of these goods to international competitive bidding.

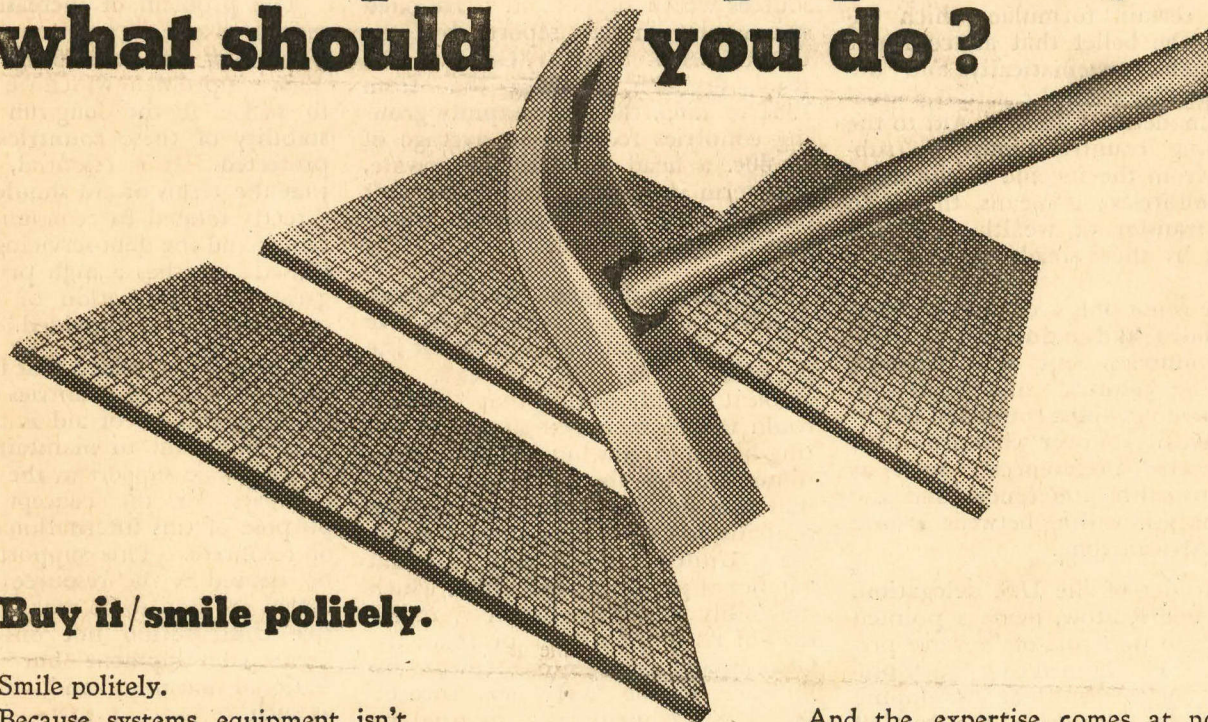
The problem of increasing indebtedness is one of growing concern in a number of developing countries. This is a problem which we shall have to tackle if the long-run economic stability of these countries is to be protected. It is essential, therefore that the terms of aid should be more directly related to economic circumstances and the debt-servicing capacity. Canada attaches a high priority to a greater harmonisation of the terms on which aid is provided."

He, however, added that if the need of the developing countries for an expanding volume of aid is to be met, it is important to maintain and enhance public support in the developed countries for the concept and the purpose of this international transfer of resources. This support can best be assured if the resources so transferred are seen to be making an effective contribution not only to economic development but to international harmony and co-operation as such.

The out-going President of the World Bank, Mr. George D. Woods, said that "we must be frank to say that in many parts of the world, the situation is discouraging, even disturbing. Here in our host country, the home of one-seventh of all the human race, after 20 years of independence, many millions of people have yet to experience more than the feeblest manifestations of progress. Those who believe as I do that India is engaged in a task of deep meaning for all the developing countries, must be gravely concerned by the uncertainties that cloud her national life. India is an exceptionally dramatic case because of its size and its location on the troubled Asian continent; but it is by no means the only country where hope has dwindled towards despondency."

The U.N. Secretary-General, U. Thant, who paid a flying visit to Delhi during the past week, rung down the curtain, for the time being. He said that "my own view is that developing countries will in any case find their own way towards the solu-

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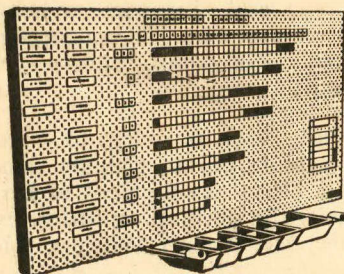
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CAPITAL, 15th FEBRUARY, 1968

tion of the economic problems that now confront them and that in the long run they will overcome the obstacles which they face, with or without a better framework for world trade, and with or without more external financial resources."

The conference is now engaged on its committee stage of work where

reality is not disguised under the smoke-screen of oratory. Here Africans are seen hitting hard even at the friendly communist countries and communists are seen bargaining with their other camp-followers. This bargaining will continue for weeks. Meanwhile, most of the Ministers have left or are leaving Delhi.

CAPITAL, 15th FEBRUARY, 1968

DEFANGION

Gen. Files *UNCTAD*
** Ind. q. rep*

February 26, 1968

Dear Morarji:

Many thanks for your letter of February 14 ✓ and the comprehensive statistics you sent with it concerning the progress made in India on various fronts. On further reflection, it seemed to me that the most direct way of dealing with the difficulties which you found in my UNCTAD speech was to amend the text -- first, to include some of the positive language of your letter, and second, to modify the sentences which troubled you. This is being done in the version of the speech which is now being printed; and I am attaching to this letter both the original and the amended versions of the text.

I am advising UNCTAD of these changes and suggesting that their official record be changed accordingly, and you should of course feel free to invite attention to these changes if you feel it desirable or helpful. The "Salient Points About India's Progress" is a most valuable compendium but it is too extensive to be used as you and I originally discussed. However, we are now considering other ways of putting these data to work.

I hope that our discussions in New Delhi will prove to have had some value. It was the prospect of a reunion with you that was largely instrumental in persuading me to come to Delhi this month; and I was not disappointed: as always, it was a great personal pleasure to see you.

Sincerely yours,

[Signed] George D. Woods

George D. Woods

Enclosure

The Honorable
Morarji Desai
Deputy Prime Minister and
Minister of Finance
Government of India
New Delhi, India

HG
HG:ap

cc: *M. Karasz*

cc: Messrs. Rajan, Karasz, William Clark

New Delhi (w/ incoming) - acc. March 11/68
w/ Incoming

Amended Text

We must be frank to say that in many parts of the world, the situation is discouraging, even disturbing. Here in our host country, the home of one-seventh of all the human race, in the 20 years of independence substantial advances have been made in alleviating illiteracy, hunger, illness and want, but the tasks that remain are staggering in their size and complexity. Those who believe as I do that India is engaged in a labor of deep meaning for all the developing countries must be gravely concerned by the uncertainties that cloud her national life. India is an exceptionally dramatic case because of its size and its location on the troubled Asian continent; but it is by no means the only country where growth needs to be much faster if hope is not to dwindle toward despondency.

Original Text

We must be frank to say that in many parts of the world, the situation is discouraging, even disturbing. Here in our host country, the home of one-seventh of all the human race, after 20 years of independence many millions of people have yet to experience more than the feeblest manifestations of progress. Those who believe as I do that India is engaged in a task of deep meaning for all the developing countries, must be gravely concerned by the uncertainties that cloud her national life. India is an exceptionally dramatic case because of its size and its location on the troubled Asian continent; but it is by no means the only country where hope has dwindled toward despondency.

CROSS REFERENCE SHEET

COMMUNICATION: SENIOR STAFF MEETING SSM/M/68-8

DATED: February 26, 1968

TO:

FROM:

FILED UNDER: SENIOR STAFF MEETING

SUMMARY:

MR. WOODS'S NEW DELHI SPEECH

14. The Chairman said that, while his address to UNCTAD in New Delhi had been well received by the delegates, some members of the Indian Government, including Mr. Morarji Desai, the Deputy Prime Minister, had thought his statement that in India "many millions of people have yet to experience more than the feeblest manifestations of progress" unduly critical. At his invitation, Mr. Desai had sent a collection of facts about economic progress in India, but unfortunately it seemed too voluminous to be included with the final print of his speech, and Mr. Graves and he were considering what to do about this.

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^E) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi,
India



Letter No. 34

February 27, 1968

Dear Dick:

In my letter No. 15, I reported to you about my conversation with Mr. Woods concerning, among others, his views on how this delegation should behave at the forthcoming discussions on supplementary finance.

Jalan saw Irving Friedman before leaving for Delhi. Irving told him of his conversation with Mr. Woods, at a luncheon, on the subject of supplementary finance. Jalan prepared a memo on his conversation ... with Irving, dated February 23, copy of which I enclose.

With best wishes,

Sincerely yours,

A handwritten signature in blue ink that reads "Arthur".

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Washington, D.C.

Reconstruction and Development
International Bank for
Director's Development Relations Department
Mr. Howard H. Dewitt

ALFRED KATZ

AK

Sincerely yours,

With best wishes,

*** With regard to the February 23, copy of which I enclose
of supplementary finance. I have prepared a memo on the conversation
with of the conversation with Mr. Woods, at a luncheon, on the subject
I have seen Mr. Woods before leaving for Detroit. I have told
about the same at the forthcoming discussions on supplementary finance.
Mr. Woods concerning some other, the items on how this delegation
In my letter No. 12, I referred to you about my conversation with
Dear Dick:

Letter No. 31

February 23, 1948

Indis
c/o Warwick Hotel, New Detroit

Telephone - 223-3210

* VALENTINE D. DEWITT, BAKIS (DE) - EKAVIDE
ENKOBENI OFFICE:

CHE VAKKON - INDELAG BAKIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHE VAKKON - INDELAG BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



February 23, 1968

Mr. Friedman's Conversation with Mr. Woods on Supplementary Finance

Prior to my departure for Delhi to attend the meetings on supplementary finance, Mr. Friedman told me that during his luncheon conversation with Mr. Woods today, the following points emerged:

- (1) Mr. Woods is convinced that the Scheme will come into existence. He likes the scheme and fully supports it.
- (2) He is not worried about the question of Agency and believes that in any case it will involve some form of Bank-Fund collaboration.
- (3) Mr. Woods feels that at this stage, our role should be that of explaining the scheme rather than advocating it; we as staff are already clearly identified with the Scheme and our favourable views are well known. Now it should be left to the countries to decide the matters of financing, administration and the timing. There is going to be a certain amount of political bargaining among various groups of countries, and we should not involve ourselves in this.
- (4) On financing, Mr. Woods said that we should be careful not to have to go to countries for money for the scheme in the year that the replenishment of the IDA is due. He suggested going for funds for Supplementary Financing Scheme the year after the IDA replenishment.

(Signed) Bimal Jalan

Is it clear that
this means (1971),
not 1969?

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTRAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:
4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE
Telephone - 553-2510

c/o Ashoka Hotel, New Delhi,
India

Letter No. 33

February 26, 1968

Dear Dick:

Further to my letter of February 22 (No. 28), I enclose summaries on Committee Three meetings which took place on February 21 and 22.

With best wishes,

Sincerely yours,

A handwritten signature in blue ink, appearing to read "A. Karasz".

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

100-111111-111111

1968 MAR -1 10:25

Washington, D.C.

Reconstruction and Development
International Bank for
Director, Development Relations Department
Mr. Richard H. Demery

Arthur Kales

AK

Director, Loans

My dear Mr. Demery,

February 27 and 28.

summarizes on Committee three meetings which took place on
Further to my letter of February 25 (No. 58), I enclose

Dear Dick:

Letter No. 33

February 28, 1968

Indis

c/o Varok Hotel, New Delhi

Telephone - 223-2210

* VALENTINE D. IENY, BAKIS (IDB) - LEVISON
RUSSOBYAN OFFICE:

С. И. У. У. У. - ИНДЕЛАС БУКИ

INTERNATIONAL DEVELOPMENT ASSOCIATION

С. И. У. У. У. - ИНДЕЛАС БУКИ

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



UNCTAD II : COMMITTEE III

February 21, 1968 (3.00 p.m.)

Continuing the discussion on "mobilization of internal resources", the U.S.S.R. representative gave a descriptive account of the experience of his country, and underscored the decisive impact of social and economic reforms, when effectively implemented, on the mobilization and use of resources.

The U.S. representative recognised this was one of the most difficult subjects to deal with. The question: what are the important areas of economic performance and how good has performance been? was the central one. He expressed scepticism about world wide reviews and aggregative estimates. As for expert and impartial evaluation of plans and performance, the proposal for new machinery was not a productive one; existing facilities and institutional machinery have improved over the years, and effort should be made to rationalize and improve them. However, further work in the nature of country studies and collating country experience was to be encouraged in the UNCTAD Secretariat. We should all recognise, he said, that economic development of nations was a long drawn process, and should strive to use external resources effectively; this would help to improve the climate (political will) for aid in developed countries.

Japan suggested that major initiatives should come primarily from LDC's, in view of the primacy of domestic effort in the development process; nor was this merely a question of savings rates or any other single aspect; the development process was a most complex one. He cited the experience of Japan in the earlier years of her development, to bring out the possibilities for higher savings rates even when per capita income levels were rather low. The nature of investments was as important for the development process as the level of investment; it was fairly obvious that agriculture and education should be accorded high priority. While supporting Mr. Woods' proposal for an expert examination of development experience and problems, the Japanese representative suggested that adequate consideration should be given to the question of criteria to be used in any such examination.

Switzerland noted one of the attractive features of a scheme of supplementary finance was the support it seeks to extend to the efforts of LDC's to maintain their export earnings.

The International Monetary Fund, the World Bank Group and the regional banks did not always approach questions of internal resource mobilization in the same manner, and there was need for a co-ordinated approach. This, again, seemed to be a feature of supplementary finance proposals. It would also be useful if the LDC's devised ways and means of exchanging data and relevant information among themselves, on the basis of their experience in mobilizing resources.

The representative of Burma noted that self-help had been the keynote of Burma's development policy for many years. However, in their own experience, often the foreign exchange estimates went wrong, and this proved a serious difficulty in the implementation of development programmes. This experience was, in his view, relevant to a consideration of supplementary finance.

Tax levels had risen in several LDC's in proportion to national product inspite of difficulties due to low income levels and problems in taxing the agricultural sector.

On the question of an impartial machinery for evaluation of programmes, policies and performance, Burma was of the view that this should be undertaken by a multinational body; the most suited for this was the United Nations Capital Development Fund.

U.K. agreed with the U.S. regarding the climate for aid in developed countries, and underlined the vital importance of good policy measures in LDC's, including especially proper project preparation, intended primarily for the efficient use of available resources.

The representative of Brazil noted that the object of development programmes was somewhat varied; in addition to growth which was the primary objective, there were considerations related to the price situation, external reserves position and the like. Some incompatibility might arise, and this rendered evaluation all the more important.

As for an international machinery for such evaluation, Brazil would welcome an extension of consultative groups and co-ordination of aid under the leadership of the World Bank or regional development banks; at the same time, an independent evaluation would be useful, as proposed by Rosenstein Rodan.

N. A. Sarma

N. A. Sarma

cc: Mr. Karasz (2)
Mr de Fontenay

UNCTAD II : COMMITTEE III

February 22, 1968 (3.00 p.m.)

SYRIA supported the setting up of an independent machinery for evaluation, to be established in the U.N. Capital Development Fund.

Italy referred to the relevance of internal resource mobilisation policies and efforts to the flow of external resources and their effective utilization. The representative of Italy referred to the inter-relationship of development aid, supplementary finance, the financing of buffer stocks and more generally, commodities stabilization arrangements.

The representative of Canada referred to the significance of the planning process in LDC's, and the ability of developing countries to build up their own technical and other facilities in various fields. Improvements in this regard would also react favourably on the political will in developed countries for giving aid. He referred to the important advances made in aid co-ordination especially by World Bank Consortia and Consultative groups. Fuller use could be made of existing agencies in evaluation work. The proper selection and effective implementation of projects was important, more than anything else.

West Germany emphasized the role that private investment could play, and more generally, the effectiveness of domestic resource mobilization in improving the scope for external assistance.

Pakistan referred briefly to its policies towards resource mobilization; problems of domestic resource mobilization were broadly common to several LDC's. Many of them were making steady and determined efforts to increase the share of domestic finance in investment programmes, but external aid was declining. In their view, it was the inadequacy of external resources that was a serious constraint on their development efforts.

The Pakistan representative warned against proliferation or international institutions for evaluation purpose. //

Sarung
N. A. Sarma

cc: Mr. Karasz (2)
Mr. de Fontenay

Feb 26, 1968

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
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EUROPEAN OFFICE:
4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE
Telephone - 553-2510



c/o Ashoka Hotel, New Delhi,
India

Letter No. 32

February 26, 1968

Dear Dick:

In my letter No. 30, I described the difficulties of the plenary in connection with South Africa.

The only real victim of this incident was Watanabe who had waited for several days in order to deliver his statement on the Asian Development Bank to the plenary meeting.

In the end, he lost his patience and left for Manila. The text of his statement, which I enclose, was later distributed. (In reality, this would be an ideal solution for practically all the statements we have to endure in the plenary).

With best wishes,

Sincerely yours,

Arthur Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U.S.A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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INTERNATIONAL DEVELOPMENT ASSOCIATION

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EUROPEAN OFFICE:

4, AVENUE D'ENNA, PARIS (16^e) - FRANCE

Telephone - 553-3210

c/o Ashoka Hotel, New Delhi,
India

Letter No. 32

February 20, 1958

Dear Dick:

In my letter No. 30, I described the difficulties of the plenary in connection with South Africa.

The only real victim of this incident was Watanabe who had waited for several days in order to deliver his statement on the Asian Development Bank to the plenary meeting.

In the end, he lost his patience and left for Manila. The text of his statement, which I enclose, was later distributed. (In reality, this would be an ideal solution for practically all the statements we have to endure in the plenary).

With best wishes,

Sincerely yours,

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

AK

22 February 1968.

Statement by Mr. Takeshi Watanabe,
President of the Asian Development Bank*

It gives me great pleasure to attend this meeting as the President of a newly created regional development bank, which is striving hard for the very same objectives as UNCTAD.

The Asian Development Bank has recently celebrated its first birthday at its headquarters in Manila. So far, we have assembled a staff of over 200 people drawn from 23 countries, in large part from Asia. Of the total capital of about one billion dollars subscribed by 32 member countries, as of now 200 million dollars have been paid up. Another 100 million dollars will be paid in August this year as the third instalment. From these resources, we recently extended our first loan to the Industrial Finance Corporation of Thailand. We are now engaged in exploring several other loan applications. Apart from loans, the Bank has also been active in the field of technical assistance, which we consider an area of major importance. We have sent one mission to Indonesia to advise on problems of food supply and this recently completed its report. Another mission is going to Korea to help establish an Agricultural and Fishery Development Corporation. We have been asked to send more technical assistance missions by several other member countries.

Today I would like to make a few observations based on our experience, small as it has been on problems of economic development. My first observation relates to the value of a regional approach in development financing. From the developing countries' point of view, financial and technical assistance are, of course, very much needed, but it is most desirable that such flows are unaccompanied by undue foreign influence. This is especially important in the

* Mr. Watanabe had to return to Manila before he had an opportunity to make his statement in plenary. The text of his statement is circulated in accordance with the decision of the Conference taken at its 64th plenary meeting.

case of technical assistance activity, since, like Caesar's wife, advisers and advice must be above suspicion - especially of entangling alliances. I feel that a regional development bank like the Asian Development Bank, has great advantages in these respects. The ADB is an Asian institution, created by Asian initiatives, financed and staffed largely from within the region. Countries of Asia have the majority of the voting power; seven out of ten Directors are from the region and the President, by Charter, must be a citizen of an Asian country. Therefore, for the Asian countries, a loan from the ADB means borrowing from one's own Bank, and technical assistance from the ADB represents an advice from one's own neighbours.

This Asian character of our Bank represents the spirit of self-help, a spirit often mentioned by delegates in this meeting. The fact that the ADB is evidence of regional initiative and self-help, has meant that while maintaining our regional character, we have been able to attract outside resources. We have now 13 non-regional members including the most recent addition of Switzerland. The non-regional developed members have supplied the Bank with resources both financial and personnel. Thus, the Asian Development Bank serves as both an Asian point of contact with non-Asian countries and as a channel for flow of monetary and human resources from outside into the region.

Our Bank performs the essential catalytic function of pinpointing worthwhile projects or programmes, mobilizing regional resources for them, thereby proving their worth, and for this reason, attracting additional external resources for those activities. As an example of such role, the Bank has conducted an extensive agricultural survey and was asked recently by a group of South East Asian countries to conduct a transport survey.

Another observation I would like to make at this opportunity is related to the question of selecting bankable projects. We have seen many cases, where a country is in balance of payments difficulty and because of the difficulty such a country is deemed not credit-worthy. A country without enough credit-worthiness is thus deprived of an opportunity of receiving a foreign loan, which may be necessary to undertake a project which could help reduce the balance of payment deficit. This vicious cycle tends to perpetuate the difficulty.

As a banker, I must be careful in selecting good projects, but I do not like to classify countries at any particular time into those only eligible for hard loans and those only eligible for soft loans. I would rather look at projects and the longer run prospects of the country. If, after the appropriate feasibility study, the project appears promising and meaningful for the country, and if the longer run prospects of the country are encouraging, we should be willing to consider extending a loan to a borrower in that country, even if at the moment, the country is in balance of payments difficulty. I have often used the term "family doctor" to describe my vision of the role of the Asian Development Bank. In this family doctor capacity, we should be fully aware of health of members' economy. Instead of rejecting a patient because of his sickness, we should provide constant consultation and advice so that the financial assistance provided in order to help increase export potential or to substitute necessary imports can be carried through to achieve the purpose. A regional institution can serve this role, which requires complete confidence in its impartiality, in a more flexible and sympathetic fashion than other institutions.

Lastly, I would like to touch upon the problem of the additional resources we would like to have to amplify and diversify our activity. As I mentioned, we are now conducting our business with a paid-in capital which amounts to 200 million dollars. According to our Charter, we have two more sources of funds to tap. One is from the proceeds of a bond issue and the other from special Fund contributions. At the moment, I have no definite plan of issuing bonds, but I am watching very carefully the developments in the world capital markets. In due course, I am hoping, we can raise additional resources by issuing bonds. In order to do that, I am fully aware that our Bank should operate upon sound principles.

Another resource we are seeking are Special Funds, contributions other than the capital subscription which I hope can be used on concessional terms. It is gratifying that many developed countries, in spite of their financial and budgetary difficulties, have shown great interest in this matter. I strongly hope that, developed countries, which recognize the merit of a regional approach in development financing will find it possible to add this type of contribution to our Bank.

I would hope that this brief statement has told you something about the Asian Development Bank, a new addition to the instruments to accomplish the purpose of UNCTAD.

UNCTAD

Letter No. 12

February 26, 1968

Dear Arthur:

This is a belated follow up to my letter No. 6 of February 16. I feel I must explain the delay, though I am sure you will not think it is due to negligence on my part. I was in New York one day longer than I had anticipated, because an unexpected and long visit by Mr. Woods in our UN office on Monday the 19th made me postpone various appointments to Tuesday.

We, as of today (Monday), have now received your letters No. 1 through 25, mostly dealing with the General Debate. I think also that your cabled enquiries have all been taken care of: you will also have received a letter from Gunter Wiese dated February 23 with details on the Brazilian query.

I don't think there is any more I have to say at this moment. There may be more developments as the Conference progresses, but anything will, I am sure, be more ably handled by Shirley when I am away.

Our warmest regards to Eva,

Yours sincerely,

Federico Consolo

Mr. Arthur Karasz
C/o Ashoka Hotel
New Delhi
India

FO/mmcd

ROUTING SLIP

Date

Feb. 28, 1968

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Wm. Clark

Mrs. Eason

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

Please let me have a short acknowledgment to
send together with a copy of the speech.

G.D. Woods

G.D. Woods

Frr

FEB 28 REC'D

US - Congressman

A. WILLIS ROBERTSON, VA., CHAIRMAN

JOHN SPARKMAN, ALA.
PAUL H. DOUGLAS, ILL.
WILLIAM PROXMIRE, WIS.
HARRISON A. WILLIAMS, JR., N.J.
EDMUND S. MUSKIE, MAINE
EDWARD V. LONG, MO.
MAURINE B. NEUBERGER, OREG.
THOMAS J. MCINTYRE, N.H.
WALTER F. MONDALE, MINN.

WALLACE F. BENNETT, UTAH
JOHN G. TOWER, TEX.
STROM THURMOND, S.C.
BOURKE B. HICKENLOOPER, IOWA

United States Senate

COMMITTEE ON BANKING AND CURRENCY

MATTHEW HALE, CHIEF OF STAFF

February 24, 1968

Mr. George Woods, President
World Bank
Washington, D. C.

Dear George:

I was most interested in the reports of the speech you made at the UNCTAD meetings in New Delhi. I am wondering if it would be possible for you to send me a copy of your speech?

I had hoped to get to the UNCTAD meetings, at least for the first few days, but work on the fair housing bill here in the Senate prevented me from extending my trip on East-West trade for the Senate Banking and Currency Committee to include a stop in New Delhi. I continue to remain quite interested in UNCTAD and in the proposals of the World Bank.

With warmest personal regards.

Sincerely,



Walter F. Mondale

ack March 1/68

UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT



CONFÉRENCE DES NATIONS UNIES
SUR LE COMMERCE ET LE DÉVELOPPEMENT

TELEGRAMS : UNCTAD, NEW DELHI
TELEPHONES : 30191 VIGYAN BHAVAN
30171 ANNEXE

VIGYAN BHAVAN
NEW DELHI-1

REF. NO.: TD/965

25 February 1968

Dear Mr. Kamarck,

Pursuant to our previous correspondence and in particular to your telegram to me of 31 January 1968, I take pleasure in forwarding to you under separate cover 15 mimeographed copies of UNCTAD Conference document TD/69 issued 15 February 1968, "The effects of the Kennedy Round on the exports of processed goods from developing areas" by Bela Balassa. I call your attention particularly to the note on page 1 of the document, in which is explained the origin of the document and the Bank's role in making it possible. May I add the expression of my personal gratitude, and that of the Secretary-General of UNCTAD for the Bank's generous cooperation in this matter.

If you desire additional copies, within the limits of the stock available here, I shall be pleased to forward them or make them available to Mr. de Fontenay for transmittal to you.

A number of editorial changes were made in Professor Balassa's draft in view of the fact that the document was being submitted in the form of regular UNCTAD document, as you suggested in your telegram. I enclose a copy of a letter I am sending to Professor Balassa regarding these editorial changes and our inability to take account of his own final changes in the draft, which were just received yesterday after publication of the document. These changes were shown to Mr. de Fontenay before publication, and he approved of the text of our introductory note crediting the Bank for its participation in this project. As I have informed Professor Balassa, we are of course willing to issue a corrigendum in the event that you or Professor Balassa feel that any of our changes were of substantive importance.

As agreed in Dr. Prebisch's letter to you of 7 September 1967, UNCTAD has of course no objection to, and would indeed welcome, any independent use the Bank sees fit to make of this very interesting paper.

May I repeat the expression of my gratification that this joint project appears to have proceeded smoothly.

Sincerely yours, and with best personal regards,

Harry H. Bell
Harry H. Bell,
Director, Research Division

Mr. Andrew Kamarck,
Director, Economics Department,
International Bank for Reconstruction and Development,
1818 H Street, N.W.,
WASHINGTON, 20043, D.C.
U.S.A.

acc. March 12/68

U.S.V.

WASHINGTON, 50012, D.C.

1978 H 21222, M.M.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

DIRECTOR, ECONOMIC DEPARTMENT

MR. ANDREW KAMATSKY

DIRECTOR, RESEARCH DIVISION

1960 FEB 11 10:38 AM

STRICTLY CONFIDENTIAL AND WITH BEST PERSONAL REGARDS

Professor, please proceed smoothly.

May I repeat the expression of my appreciation that this joint

independent has the bank seen it to make of this very interesting paper.

UNCLAD has of course no objection to the work indeed welcome, and

as stated in Mr. Bertsch's letter to you of 1 September 1961,

there is no administrative interference.

In the event that you or Professor Bertsch feel that any of our country
Professor Bertsch, we are of course willing to make a contribution
the bank for its participation in this project. As I have informed
Bertsch, and he advised of the text of our introductory note stating
of the document. These countries were known to Mr. de Bonaventura before
countries in the field, which were that received yesterday after Bertsch
these editorial countries and our intention to take account of its own first
enclosure is copy of a letter I am sending to Professor Bertsch regarding
form of UNCLAD document, as you suggested in your telegram. I
quote in the letter of the fact that the document was being submitted in the
a number of editorial countries were made in Professor Bertsch's

to Mr. de Bonaventura for transmission to you.

Whatever may be, I shall be pleased to forward them or make them available

If you desire additional copies, within the limits of the stock

cooperation in this matter.

and that of the Secretary-General of UNCLAD for the bank's General
in making it possible. May I say the expression of my personal gratitude
in which is expressed the origin of the document and the bank's role
will have attention particularly to the note on page 1 of the document,
excludes of processed goods from developing areas, as per Bertsch. I
had read it in February 1961. The effects of the Kennedy Round on the
under separate cover is understood copies of UNCLAD conference document
telegram to me of 21 January 1961. I take pleasure in forwarding to you
Bertsch for our personal correspondence and in participating to you

Best Mr. Kamatsky

REF. NO.: LD/22

52 February 1968

TELEPHONE: 30131 VINE XE
30131 LIGANI BHAVANI
TELETYPE: UNCLAD, NEW DELHI

NEW DELHI-1
LIGANI BHAVANI

ON TRADE AND DEVELOPMENT
UNITED NATIONS CONFERENCE



ON LE COMMERCE ET LE DEVELOPPEMENT
CONFERENCE DES NATIONS UNIES

TD 965

24 February 1968

Dear Bela,

I enclose a copy of a self-explanatory letter to Andy Kamarok, and I am forwarding under separate cover 15 copies of your paper as issued on 15 February 1968 under UNCTAD designation TD/69.

I regret that we were unable to take account of the changes suggested in your letter of 12 February 1968, which only reached us yesterday after the document had already been issued. So far as I can see from a cursory comparison, the only substantial omissions in our version, as compared with your final version, are the parenthetical insertion of "(26 per cent)" in paragraph 7 and of your reference (in your paragraph 13 and our paragraph 12) to the fact that the expected expansion trade of 205.5 million dollars is "three-tenths of the rise in exports that would follow the complete elimination of duties". In my opinion these omissions are not important enough to warrant issuance of a corrigendum as far as the Secretariat is concerned, but I would of course take account of your wishes in this matter. With regard to the last sentence in your paragraph 12 explaining your method of calculation of impact of the Kennedy Round changes, I call your attention to the footnote we inserted at the bottom of page 9 (Table 3), which I believe adequately covers the matter. (Contrary to your text, the appropriate cross-reference is to Table 4 of the earlier study, not Table 1).

Because of the decision to issue the study as a regular UNCTAD document we had to run it through the usual editorial procedures of the Secretariat. This resulted in a number of changes in wording which, in my opinion are purely stylistic, and I assume you have no objection to such editorial refinements. To the best of my knowledge nothing substantive was changed other than those points upon which we had already agreed.

If any comments by delegations on this document come to my attention, I shall of course relay them to you.

Many thanks for carrying out this project on our behalf. I sincerely hope that our collaboration will continue.

Sincerely yours,

Harry H. Bell,
Director,
Research Division

Professor Bela Balassa,
Consultant, Economics Department,
International Bank for Reconstruction
and Development,
1818 H Street,
WASHINGTON, 20043 D.C.

P.S. Under another separate cover, I am sending to you our Research Memorandum 13/5 ("Tariff profiles facing selected individual developing regions and countries"). We are not planning to use this for the Conference, but I think you will be interested by this attempt to portray graphically the differing incidents of the pre- and post-Kennedy Round tariffs on the characteristic products exported by individual developing countries and by the main developing regions. Your comments on this paper are invited.

CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: February 23, 1968

TO: Mr. Takahashi

FROM: Mr. Romesh K. Diwan
UNCTAD

FILED UNDER: P&S- Imports

SUMMARY: Re: Asking to discuss with him the problems of import substitution.

ack. March 5, 1968

February 23, 1968

Dear Arthur:

I am referring to your letter No. 16 dated February 15, 1968, to Mr. Demuth and to the latter's cabled reply of February 21. For your information only, I would like to give you the background of the Brazilian complaint.

Loans made by the Bank to Brazil in recent years provided for Brazilian participation in international competitive bidding under a 15% preference margin. Whenever a Brazilian supplier won a contract, the Bank reimbursed the borrower for the full cost of such contract. We are now planning to change this procedure and have informed the Brazilian Government accordingly. Later this year we are planning to lend \$46 million for additional power projects. Brazilian suppliers will again be permitted to participate in international competitive bidding under a 15% preference margin. However, if they win contracts, we will only reimburse the borrower for the estimated foreign exchange content of such contracts (presently estimated at about 40%). In other words, if foreign suppliers win contracts, the borrowers are reimbursed in full, whereas under Brazilian contracts they will get less than half. This will provide strong incentives for the power companies to manoeuvre as much as they can to achieve a high degree of foreign placement of orders. As you know, this can be done in a number of ways, e.g., by means of writing the specifications, by restrictive prequalification, etc.

Our new position was taken with a view to the Bank's recent progressive restrictiveness on local currency financing. In explaining the above to Mr. Consolo this morning, he felt that you may not wish to use the information unless it is really unavoidable.

Sincerely yours,

Gunter K. Wiese
Western Hemisphere Department

Letter No. 11

Mr. Arthur Karasz
International Bank for Reconstruction
and Development
c/o Resident Representative
P.O. Box 416
New Delhi, India

Cleared with in substance and cc: Mr. Consolo

GKWiese:mr

ROUTING SLIP

Date
Feb. 26, 1968

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. ~~Denuth~~/Mr. Graves

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

Please handle.

G.D. Woods

From

x 2 - Rel. Gz. (W.C. JCh.)
x 1 - Rel. - Fagley R.M.
FEB 26 REC'D

COMMISSION OF THE CHURCHES ON INTERNATIONAL AFFAIRS

Commission des Eglises pour les Affaires Internationales of Kommission der Kirchen für Internationale Angelegenheiten

The World Council of Churches

Chairman: Sir Kenneth Grubb
Secretary: Alan R. Booth
Cable: INTAFFAIRS, LONDON, W. 1
34 Brook Street
London W. 1, England
Hyde Park 7176

Director: O. Frederick Nolde
Executive Secretary: Richard M. Fagley

Cable: OIKOUMENE, NEW YORK
297 Park Avenue South
New York, New York 10010
ORegon 4-7670

NEW YORK OFFICE

Representative in Europe: Elfan Rees
Secretary: A. Dominique Micheli
Cable: OIKOUMENE, GENEVA
150, Route de Ferney
Geneva 20, Switzerland
Geneva 33 34 00

February 23, 1968

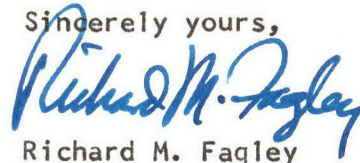
Mr. George D. Woods, President
World Bank
1818 H. Street, N.W.
Washington, D.C. 20433

Dear Mr. Woods:

I have read with great interest and satisfaction the text of your address at the UNCTAD session in New Delhi, which Martin Hill brought back with him. It is a penetrating analysis which can contribute much to the 'grand assize' which you have urged. As one who has long followed the ecumenical concern for development at the intergovernmental level, I am grateful for the leadership you have given and which I trust you will continue to give. Your address should be quite helpful to the Conference we in the World Council are holding, in cooperation with the Pontifical Commission, in Beirut in late April.

The enclosed piece of mine, in which I tried last autumn to bring some gleanings on development strategy to the attention of churchmen, may be of interest, since it reflects a number of the concerns that you have stressed so tellingly.

Sincerely yours,



Richard M. Fagley

RMF:MK
Enc.

am March 6/68

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 31

February 23, 1968

Dear Dick:

... Enclosed please find text of my statement which I delivered this afternoon to Committee Three on matters relating to IDA, the role of the Bank in development aid, private investment, public industrial enterprises, and the coordination of aid. **

With best wishes,

Very sincerely yours,

Arthur

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

** Many thanks for your cables which were of great help in the preparation of my statement.

ALFRED KINGS

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DESL DTGK:

Letter No° 31

890153 I 53' 1808

C/O ASPROKS HOTEL, DEM DISTRICT, INDIA

Telephone - 223-5210

Ч' УЛЕНИКЕ ДИЕНИУ' БУКИЗ (IQ₅) — ЕКУИСКЕ

ENVOYÉ À L'OFFICE:

CITE VOLUME - INDEX PAGE

INTERNATIONAL DEVELOPMENT ASSOCIATION

DATE RECEIVED - INJURY BY D LARKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C. U.S.A.
Hearings:

2

Statement by Arthur Karasz, Head of the Delegation of the
International Bank for Reconstruction and Development, to
Committee Three at the Second Session of the UN Conference
on Trade and Development

In the course of the last two weeks, a number of questions have been raised in Committee Three relating to matters which are of interest to the World Bank.

I. The distinguished representative for Yugoslavia mentioned the decision by the World Bank concerning the allocation in fiscal 1967 of \$10 million for the purposes of IDA. He raised the question whether it would not be wiser for the World Bank to maintain the transfer from the Bank earnings to IDA of higher amounts as took place in the fiscal years 1964, 1965 and 1966.

This matter was already discussed at the last meeting in Geneva of the Trade and Development Board where I explained the Bank's position, as reproduced in document TD/B/SC.7/L.4.

In the following I shall just repeat some of the background information contained in that document on the sources which provide the funds for the Bank's lending operations. There are two such chief sources:

- (a) one is the paid-in capital of the Bank, paid in by its members;
- (b) the bulk of the amounts the Bank uses is money borrowed on the market, most of it through the sale of obligations.

In short, the Bank lends mainly borrowed money.

This is the principle, and it would be quite simple, were not practice a little more complicated than that. If Bank lending depended

only on its ability to borrow, the Bank would have no difficulty in raising money, because the Bank's creditworthiness is considered everywhere as first class.

However, Bank borrowing does not only depend on its creditworthiness; essentially it depends on the state of the capital market. Further, the Bank is only allowed to go to a market if the government agrees to it.

The Bank must plan ahead the way its lending operations will be carried out in future years. In simple terms this means that the amounts committed by the Bank must be at disposal in liquid form at the moment they are needed because the borrower is not helped with mere promises, he needs money to pay for his project.

In recent years, part of the Bank's net income was transferred each year in favour of IDA. The policy statement on this subject contained, however, the provision that future transfers would only be made out of the year's net income not needed for allocation to reserves, or otherwise required to be retained in the Bank's business and which could therefore be prudently distributed as dividends.

This does not seem to be the case now. Although, I repeat, the situation of the Bank as a potential debtor has remained as good as ever, for considerations which lie outside the Bank, the member governments do not find it always easy to authorize the issues of new bonds on their markets. I do not mean by this that in recent times the Bank has not received any authorization from the governments to issue new bonds: on the contrary, in the course of the last year or so we have been authorized to make new and very important issues on the New York market, others in Canada as well as in several Western European countries. We are also hopeful that new issues would soon be authorized on both sides of the Atlantic Ocean. This would be very useful and allow us to be more certain that we can raise the

needed funds on time in order to meet the disbursement commitments and maturing public debt of the Bank.

As the Bank's undisbursed commitments - as at the end of the fiscal year 1967 - were almost \$2.4 billion, the President of the Bank estimates that to meet disbursement commitments and maturing public debt of the Bank at the least \$400-\$500 million new funds would be needed, I emphasize the words "new funds", yearly, for the next two years. This is a big amount of money and under present tight money market conditions it might become difficult to raise all of it against bonds. That is why the Executive Directors decided to recommend to the Governors, to allocate current income of the Bank with the exception of \$10 million to the Supplemental Reserve of the Bank, thereby reducing correspondingly the need for bond issues.

I am authorized to add that this action taken by the Board does not establish a precedent for the future. If and when the access to money markets becomes again easier, we are hopeful that our Board can recommend transfer of more important amounts to IDA out of the then current income of the Bank.

II. As for the replenishment of IDA, Mr. Chairman, I am authorized to report to the Committee that active negotiations are continuing on this subject. We have every reason to expect that agreement will be reached and transmitted by the Executive Directors of the Bank to the Board of Governors within the next month of March providing for a replenishment on the basis of a sixty percent increase and with completely untied funds.

III. Several representatives have suggested that the World Bank become a development bank for developing nations exclusively. In fact, that is virtually so. Over the years, the major part of World Bank loans have been made to developing countries, lately there have been few loans only to

developed countries and the proportion of loans to the developed countries has declined. Therefore, for all practical purposes, it can be stated that the Bank is at present almost exclusively a lending agency for developing nations.

The idea has also been submitted that certain loans which had been granted be prepaid by the borrower and that amount be used for IDA purposes. The Bank cannot require prepayments unless such a condition is contained in the loan agreement. It is also evident that amounts resulting from any prepayment of a Bank loan could not be used by another institution, in this case by IDA.

IV. Another potentially important subject is the furthering of private investment in the developing countries. As the Committee knows, the Bank's activity in this field can be divided into two parts:

1. The Convention on the Settlement of Investment Disputes between states and nationals of other states came into force in October 1966. This convention set up ~~up~~ the International Centre for the Settlement of Investment Disputes, ratified already by a number of states, which machinery provides facilities for the settlement of investment disputes by voluntary recourse to conciliation or arbitration, or both.
2. Another proposal for facilitating private foreign investment is the draft of Articles of Agreement of an International Investment Insurance Agency. Following the work done first by the OECD, and in response to a request by UNCTAD I (Recommendation A IV 12), the staff of the World Bank have prepared a draft scheme with a view to providing essentially

the same protection to private foreign investors against non-commercial risks that is presently available under certain individual national programmes. The World Bank staff's draft scheme has been submitted to the member governments through the Executive Directors of the Bank who are considering the scheme.

V. Several speakers as well as the Algiers Charter mention the World Bank family's attitude toward public industrial enterprise. In this respect the following can be stated. The World Bank and IDA operations have been directed in the main to infrastructure investments in developing countries: these are largely through the public sector. Not so for the International Finance Corporation which is instructed by its Charter to invest only in enterprises that are predominantly private in character; the World Bank lending to manufacturing enterprises, for an amount of about one billion dollars, has also gone to private companies. To quote from a statement by Mr. George Woods, President of the World Bank, to ECOSOC on March 26, 1965: "We have been reluctant to finance State-owned industrial enterprises primarily because of the great difficulty of assuring that they would be managed on a businesslike basis, free of political pressures". Mr. Woods continues, however: "We are quite aware, nevertheless, that in some of our member countries, and especially in the newer ones, a shortage of private savings and of industrial entrepreneurship harshly limits what purely private capital can accomplish. We are therefore embarking upon a re-examination of our policies as applied to such cases to see whether there are ways other than through completely private ownership, in which effective management of industrial ventures can be assured". Mr. Woods mentioned similar ideas in his recent address to the Plenary Meeting of our Conference. Thus, the Bank

is willing to consider the financing of government-owned manufacturing enterprises provided the project is well prepared, economically justified and soundly managed. An instance of this is the recent loan by the Bank in January 1967 of \$30 million, in association with the European Investment Bank, for a potash project in the Congo (Brazzaville). The loan was made to the Compagnie des Potasses du Congo, a Congolese company established in 1964 by the Congolese Government and a French syndicate largely consisting of French government agencies.

VI. The need for coordination activities, and in this respect the Bank's activity in the creation of consortia and consultative groups, has been mentioned by several speakers. As is well known, in addition to the India and Pakistan consortia, the World Bank has organized consultative groups for several developing countries. The Bank also participates in similar meetings held under the auspices of other organizations. The role of the Bank in the aid coordinating effort is to collect and furnish necessary data and to provide a realistic assessment of a country's prospects and performance. By its very nature this is a rather difficult and delicate work, but the advantages of such coordinated aid over uncoordinated bilateral aid are being increasingly recognized. For the present, the Bank intends mainly to improve the working of existing coordinating groups, while continuing to explore possibilities for setting up additional groups.

New Delhi
February 23, 1968

Report No. 30

Headquarters:
Washington, D.C., U. S. A.

UNCTAD
Envelope available in
Room 839



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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INTERNATIONAL DEVELOPMENT ASSOCIATION

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Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 30

February 23, 1968

Dear Dick:

This is a summary of the last week's events.

I haven't yet reported to you about the recent difficulties in the plenary meeting with Cuba, Israel and South Africa.

In short, Mr. Dinesh Singh, the President of the Plenary, got into all sorts of legal difficulties; Cuba and Israel are left out of the working groups, and South Africa was impeded mainly by the Afro-Asian group to take the floor and make a general statement.

Thus, the last meetings of the plenary did not accomplish any useful work at all. The only thing that happened was a constant movement of the delegates, in and out of the hall, each time there was a speaker they did not like. The Arabs and their Socialist friends moved out when the Israeli delegate spoke, they moved back at the end of his statement only to get up immediately again because he received the floor once more on some other point of order. The South African representative was an even greater problem. Dinesh Singh did not want to preside over his statement, but had to find a Vice President to take over for him, and that proved to be a difficult operation too.

Finally, the Filipino Vice President agreed to take over for this solemn occasion. The meeting was called for yesterday afternoon. Dinesh Singh disappeared from the rostrum. The Filipino gentleman appeared and gave the floor to South Africa.

The "77" and the Socialists left the room, with the exception of Ghana. On the request of the latter, the poor Chairman was forced to state that

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

.../...

Washington, D.C.

Reconstruction and Development
International Bank for
Director, Development Services Department
Mr. Richard H. Demuth

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solely on occasion. The meeting was called for yesterday afternoon. Finally,
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This is a summary of the last week's events.

Dear Dick:

Letter No. 30

February 23, 1968

c/o Ashoka Hotel, New Delhi, India

Telephone - 223-3210

* VALIENE D. BAKIS (DE) - FRANCE
ENKOREN OFFICE:

CHIEF ATTACHE - INDELAVS BAKIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHIEF ATTACHE - INDELAVS BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C., U.S.A.
Hendriks:

Handwritten signature and date: 23 Feb 1968

there was no quorum. The situation seemed to be hopeless.

But nothing lasts forever. After some hectic negotiations, the meeting was reconvened, there was still no quorum (there were only 28 representatives in the room) ~~but~~ South Africa was allowed to deliver its statement which will appear in the documents of UNCTAD. I enclose a copy, mainly for its historic value.

So far as the Conference is concerned, the following are my personal views. People are starting to get impatient about the lack of progress. They are critical of Prebisch who keeps repeating himself and has not submitted very new ideas to the Conference. Unfortunately, the same is true of most of the national delegations.

Thus, as things stand today, this Conference will most probably not produce any great results. The developed nations, with the exception of some smaller nations like the Netherlands, Sweden and Denmark, are unwilling to make substantive concessions and the LDC's do not have any real bargaining power.

Of course, this was to be foreseen from the very beginning: this Conference has a much more difficult job than UNCTAD I. The first conference had all the fields open and was free to choose among many interesting subjects. UNCTAD II is limited in its fields of activity, it has to find answers to difficult questions raised in 1964, and some of the answers just do not exist.

Maybe it is not too much to say that the only real event of this week has been the arrival of Enrique Lopez Herrarte, as representative of Guatemala. He arrived happily and we are happy to see him here. He takes his new job very seriously, participates in all sorts of "contact groups" and expects to make a statement on the great role of the World Bank in economic development.

With best regards,

Sincerely yours,

Arthur Karasz

Arthur Karasz

Report No. 29

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

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c/o Ashoka Hotel, New Delhi,
India

Letter No. 29

February 22, 1968

Dear Dick:

...

I enclose the first progress report on the work of Committee I,
prepared by de Fontenay.

With kind regards,

Sincerely yours,

A handwritten signature in blue ink, appearing to read "A. Karasz".

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Washington, D.C.

Reconstruction and Development
International Bank for
Director, Development Services Department
Mr. Richard H. Smith

Alfred Karsen

OK

Sincerely yours,

With kind regards,

Respectfully,

I enclose the first progress report on the work of Committee I.

Best Dick:

Letter No. 28

February 25, 1968

Indis
c/o Airport Hotel, New Delhi

Telephone - 223-3210

* AVENUE D'INDIA, PARIS (16) - FRANCE
EUROPEAN OFFICE:

CHIEF OFFICE - INDIA: PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHIEF OFFICE - INDIA: PARIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



OFFICE MEMORANDUM

TO: FILES

DATE: February 19, 1968.

FROM: Patrick de Fontenay *pf*SUBJECT: UNCTAD II : First Progress Report on the Work of Committee I.

The First Committee of UNCTAD II is in charge of Item 9 of the agenda of the Conference: Commodity Problems and Policies. It is Chaired by Mr. Gueye from Senegal; Mr. Poh from Malaysia as Rapporteur; Mr. Rudolph from Czechoslovakia as the Vice Chairman.

The agenda of the Committee is the following:

- (a) General discussion on the main elements of commodity policy.
- (b) Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities; operation and financing of buffer stocks.
- (c) Role and financing of diversification programmes; problems arising from the development of synthetics and substitutes.
- (d) Programme for liberalization and expansion of trade in commodities of interest to developed countries.

A number of developing countries had favoured the setting up of working groups on specific commodities. This suggestion was opposed by several developed countries, in particular by the U.S., Canada and Netherlands, on the grounds that delegations did not have with them experts on the various commodities which might be discussed. This question remains pending.

So far, the Committee has completed the discussion of the first item on its agenda and taken up the second item. The following are the main points emerging from the general discussion:

(i) Less-developed countries:

The LDC's generally expressed their support for the section of the Algiers Charter, dealing with commodity problems and policies. They were disappointed by the lack of action in that field and in particular by the failure of the Cocoa Conference. They supported an agreement on commodities either

(continued .. 2)

in the form of a general agreement, or in the form of separate agreements. They considered that developed countries and the international financial institutions should collaborate in the pre-financing of buffer stocks. They recognized the need for diversification of the primary producers' economies but insisted that it be accompanied by better access to the markets of the industrial countries for their exports of processed goods.

(ii) Developed countries:

Statements usually said that efforts towards a general agreement on the commodity issues were not worthwhile and that a commodity approach was preferable. These countries wanted to see the results of the Bank-Fund Study before making any commitments for the financing of buffer stocks. They stressed the need for diversification as a solution for long-term commodity problems but they consider that diversification was part of the general problem of the development and were unwilling to discuss it with commodity problems.

(iii) Socialist countries:

The socialist countries generally supported the Algiers Charter. They favoured urgent action in the field of commodity agreements but also stressed the importance of long-term bilateral agreements.

cc: Mr. Karasz (2)
Mr. N.A. Sarma

Report No. 28

Headquarters:
Washington, D.C., U. S. A.

Mr. Conrad



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c/o Ashoka Hotel, New Delhi,
India

for

Letter No. 28

February 22, 1968

Dear Dick:

Further to my letter of February 20 (No. 25), I enclose summaries on Committee Three meetings which took place on February 19 and 20.

With best regards,

Sincerely yours,

A. Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U.S.A.



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c/o Ashoka Hotel, New Delhi,
India

February 22, 1968

Letter No. 28

Dear Dick:

Further to my letter of February 20 (No. 25), I enclose summaries on Committee Three meetings which took place on February 19 and 20.

With best regards,

Sincerely yours,

A. W.
Arthur Keress

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

1968 FEB 29 10:34

UNCTAD II : COMMITTEE III

February 19, 1968 (10.30 a.m.)

The statements by Finland and Denmark were generally on the lines of those by Sweden. Denmark would increase its relative share in the IDA resources. The representative of Denmark also referred to the establishment of an industrialization fund in his country to promote investments in LDC's in collaboration with Danish private interests.

Pakistan extended support to the proposal for an independent and expert evaluation of aid effort and economic development.

A number of statements were made by Czechoslovakia, Sudan, Ecuador, Rumania, Iran and Venezuela. There was little of consequence in these statements.

The statement by Netherlands was brief and precise, and was well received particularly by developing countries, like that of Sweden earlier. Netherlands has no difficulty with the aid targets proposed in the Algiers Charter, including a separate target for official aid, which Netherlands would reach by 1971. The representative of Netherlands stated that multi-year development plans, and multi-year assistance programmes for upto 4 years, were acceptable to his country.

N. A. Sarma

N. A. Sarma

cc: Mr. Karasz (2)
Mr. de Fontenay

UNCTAD II : COMMITTEE III

February 20, 1968 (11.00 a.m.)

After statements by Tanzania and Nigeria, discussion on the agenda item was interrupted, to be resumed in the afternoon. Mr. Sidney Dell made a statement at the suggestion of the Chairman, on the next agenda item "Improving the mobilization of internal resources".

Mr. Dell, at the outset, re-stated the primary responsibility of the LDC's themselves for their development; external resources could only supplement, and would also help to remove critical bottlenecks. He recalled the main points made in the Secretariat paper with respect to domestic resources mobilization. In particular, for several developing countries the export sector was important even for domestic resource mobilization; and domestic effort was not a decisive factor in promoting exports of primary commodities. Domestic effort was of greater consequence with respect to the export of manufactured items and also toward import substitution. Mr. Dell posed certain issues as being relevant for consideration by the Committee. This related to the reciprocal commitments of LDC's and developed countries; the drawing up and implementation of development programmes for the effective utilization of available resources; appropriate policies for raising agricultural productivity, in regard to population and growth rates, for stimulating domestic savings, for promoting export opportunities and export substitution. Finally, is there need for a new and independent machinery for the evaluation of domestic performance and external assistance?

N. A. Sarma

N. A. Sarma

cc: Mr. Karasz (2)
Mr. de Fontenay

UNCTAD II : COMMITTEE III

February 20, 1968 (3.00 p.m.)

The first speaker was the representative of the World Federation of Trade Unions, an organization with headquarters in Prague. He is against private capital because of the political conditions attached to it. Because of this, and the unfavourable terms which accompany private capital, he is of the opinion that UNCTAD should not take any resolutions in its favour.

The representative of the Economic Commission for Africa talked about technical assistance which is particularly important for the African countries. Technical assistance is the first step; it should be followed, of course, by capital assistance.

The World Bank should be repaid by the developed nations in an accelerated manner. As far as he knows, the developed nations owe two billion dollars to the Bank and it would be of considerable assistance if the developed countries which are not in balance-of-payment difficulties could make repayment immediately. He suggested that the OECD should discuss this matter and find ways and means for the World Bank to acquire additional funds.

Aid by the European Economic Community to the less-developed countries should be increased. UNCTAD II should make a "decision" on how to increase the volume of assistance to the African Development Bank.

He is sceptical about the role of private capital. Because of reverse flows, its contribution to development will always be limited.

He agrees with Sidney Dell that there is urgent need for a better international machinery for the control of economic development.

The representative from Guyana agrees with the idea of the Grand Assize.

He supports the idea of setting up an international institute to evaluate national plans, and advise aid donors and recipients on planning policies and financial aid for planning. His country had called a meeting on this subject some months ago with the participation of donors and recipients, as well as IBRD and IMF.

The last subject he discussed was the creation of the new Caribbean Development Bank.

The representative from Hungary followed the Soviet line: Hungary has never had colonies, and no capital invested abroad. Nevertheless, its foreign aid activities are growing.

The last speaker was the representative from Bolivia. The Special Drawing Rights agreed upon at the Rio Meeting will only help the developed nations. He suggested the creation of special "units" which could be drawn by LDC's. He is astonished by the total absence at UNCTAD II of the great industrial corporations of the developed nations. They should be interested in 2,000 million potential consumers. They should invest part of their total sales in the less-developed world. He started saying that this should be two percent of such total sales. Towards the end of his statement, he must have had the feeling that this was too much and reduced it to one percent. Thus this would be a sort of a one percent rule for private capital. Such investments should be made under "international supervision".

Arthur Karasz

cc: Mr. N.A. Serma (2)
Mr. P. de Fontenay

Report No. 27

Headquarters:
Washington, D.C., U. S. A.



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c/o Ashoka Hotel, New Delhi,
India



*enclosure available
in Room 839*

Letter No. 27

February 22, 1968

Dear Dick:

The second item on the agenda of the Third Committee is on the subject of Improving the Mobilization of Internal Resources in Developing Countries (Item 12(b)(iv)).

... Sidney Dell introduced the discussion and brought up several interesting points. (Text enclosed - TD/II/C.3/L.7):

1. While external assistance complements effective mobilization by the developing countries of internal resources, primary responsibility for development lies with the developing countries themselves. Thus, the solution of the development problem requires reciprocal commitments by developed and developing countries.

2. The utilization of domestic resources calls for the drawing up of a suitable development programme including policies such as population growth, agricultural productivity, savings and taxation, educational problems and foreign trade (the Gap).

3. There is constant need to make sure that the funds made available are used as effectively as possible. Such evaluation machinery exists already in the international institutions and, particularly, in the consortia and consultative groups but, maybe, a new and independent international machinery for the evaluation of development performance and assistance would be helpful to both donors and recipients. Therefore, he raises the question whether there is a need for new and independent machinery for the evaluation of development performance and assistance.

In short, Sidney Dell seems to intend to create consultative groups or consortia under UNCTAD auspices. There is ample literature on this subject. Dell bases his proposal on two documents which describe such evaluation efforts in Latin America. Document TD/65

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

.../...



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTERBANK PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ENNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi,
India



February 22, 1968

Letter No. 27

Dear Dick:

The second item on the agenda of the Third Committee is on the subject of Improving the Mobilization of Internal Resources in Developing Countries (Item 12(b)(iv)).

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Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

describes the history and organization of CIAP, Document TD/7/ Supp.15 contains a paper by Rosenstein-Rodan on Growth, Development Finance and Aid. According to Rodan, evaluation of development performance would only serve its purpose if it is done by an independent multinational agency. IBRD is multinational but not necessarily "independent", because it is governed by representatives who vote according to the shares held by their governments; in the majority these are creditor and not debtor countries.

While the management of the Bank is independent, at least for the time being, its staff has a double function since the same staff members of the Bank who evaluate the development effort also take part in loan negotiations so that they are both its judges and executors at the same time. That can only be corrected by forming an independent institution of international experts under their own statutes and independent of IBRD.

The proposal of Sidney Dell is closely related to our activities especially in consultative groups, and consortia, and I thought it useful to bring it to your special attention.

With kind regards,

Sincerely yours,

Arthur

Arthur Karasz

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi,
India

Letter No. 26

February 21, 1968

Dear Dick:

... In my letter No. 24, I mentioned the interest of several delegations in matters relating to the stabilization of the markets. The French delegate made a very interesting statement on this subject to the First Committee (Commodities). Enclosed, please find de Fontenay's memo on this subject, dated February 19, 1968.

The French like to talk about mobilization of the resources of the international financial institutions for the "prefinancing of buffer stocks", as well as the financing of diversification programmes. The French Government expects a constructive report from the Bank and Fund, and feels that it should also be transmitted to UNCTAD.

I have the feeling from my conversations with members of the French delegation, and African delegates, that they will continue to talk about this subject. One day or another we, or the representatives of the Fund, will probably have to make a statement to the First or Third Committee, or both, to explain where we stand on this subject.

With best wishes,

Sincerely yours,

A. Karasz

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

cc. Feb. 27/68

Washington, D.C. 20533
1818 H Street, N.W.
Reconstruction and Development
International Bank for
Director, Development Services Department
Mr. Rogers H. Bennett

Alfred Karsen

Sincerely yours,

With best wishes,

or both, to explain where we stand on this subject.
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this subject dated February 10, 1968.

*** Committee (Committee). Enclosed please find de Rougemont's memo on
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in matters relating to the stabilization of the markets. The French
In my letter No. 51 I mentioned the interest of several delegations

Best Dick:

Letter No. 50

February 21, 1968

Indis
c/o Varok Hotel, New Delhi

Telephone - 223-3210

* AVENUE D'INDUS, PARIS (16) - FRANCE
EUROPEAN OFFICE:

City of Paris - INDUS BANK

INTERNATIONAL DEVELOPMENT ASSOCIATION

City of Paris - INDUS BANK

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



OFFICE MEMORANDUM

TO: Files

DATE: February 19, 1968.

FROM: Patrick de Fontenay

SUBJECT: Statement by the French Delegate, Mr. Janton, to the First Committee of UNCTAD II on Commodity Problems and Policies

Because of its reference to the Bank-Fund Study pursuant to the Dakar-Rio resolution and because it elaborates on Mr. Debre's speech in the plenary meeting which had emphasised the need for "market organization" in the field of primary commodities, a detailed summary of Mr. Janton's opening statement on item 10(b) of the agenda of Committee I ("main elements of commodity policy") is given below :

1) According to the French delegate, commodity policy cannot coincide with development policy, but because of the importance of primary commodities in the economies of the developing countries, commodity problems were bound to represent an important chapter of any commodity policy.

2) The French doctrine of "market organization" was designed to give domestic producers of primary commodities enough income and security to enable them to implement their development programmes :

2.1) Security: The problem there was to eliminate short-term fluctuations such as took place in recent years in the case of cocoa. It was incorrect to speak in this respect of an opposition between producers and consumers. Consumers did suffer from such fluctuations. In the case of cocoa, e.g. the abnormally low prices attained in earlier years were responsible for subsequent poor crops and high prices.

2.2) Income : The same policies applied on the national scene in favour of the poor sectors of the economy, and in particular, of agriculture should be applied on the international scene. While there had been a continuous increase in the costs of processing and marketing their products, producers of primary commodities still did not get a satisfactory income. Developed countries should realize, however, that they were dependent on the incomes of primary producers for the absorption of their industrial exports.

(continued ... 2)

3) Although his delegation agreed that the Conference should take steps to accelerate the case-by-case examination of appropriate machinery, it did not feel that the Conference should itself try to work out general rules on commodity agreements in the limited time at its disposal. However, there were some points that should be used as a basis for any agreement. Firstly, if excessive fluctuations were to be eliminated, a price zone must be fixed. Mechanisms for defending that zone should be defined carefully in respect of each separate agreement. Secondly, an international reference price must be agreed upon, which would be the minimum or average price for the zone, according to circumstances. Thirdly, prices should at all times be protected by joint action on the part of producers and consumers. Some of the measures to achieve price support had been described in some of the documents issued by the Secretariat. The French delegation wanted to emphasize the use of two such measures :

3.1) Variable import duties - His delegation felt that insufficient importance had hitherto been attached to the machinery for enforcing compliance with minimum prices by use of a variable import tax. It had in mind particularly the introduction of an import tax in the developed countries equal to the difference between the price as supplied and the reference price fixed by international agreement, the yield being turned over to the commodity-producing developing countries in accordance with a formula agreed upon by negotiation. The simplicity of that mechanism would enable it to be implemented rapidly in respect of a number of products once the political will to use it was forthcoming. It could, for example, be applied to cocoa if the complex technical arrangements at present being negotiated could be worked out in final form in the near future.

3.2) Buffer stocks - The use of buffer stocks should be limited to those cases where there is a ceiling to the size of the stocks accumulated. The main problem with respect to buffer stocks was that of financing. Such financing was provided by producers in the case of tin, or by the first buyers in the case of the arrangements contemplated for cocoa. This was not quite satisfactory and in the views of the signatories of the Dakar resolution, it would be desirable to mobilize the resources of the international financial institutions for the prefinancing of buffer stocks. The results of the Bank-Fund Study could not be anticipated but the French position was that international financial institutions should play a greater role both in the financing of buffer stocks and in the financing of diversification programmes. Diversification was an important aspect of commodity policy. It should lead to an increase in food crops rather than an increase

in other export commodities. The French government expected a constructive report from the Bank and the Fund. It felt that UNCTAD should indicate that it considered the study as particularly important and wished to have it transmitted to it.

4) The French delegate then reviewed briefly specific commodities :

- 4.1) His country's delegation to the International Coffee Council had endorsed the compromise agreements reached to enable the difficulties arising over the renewal of the Agreement to be solved. It was hoping to learn in the very near future that the last point at issue had been settled.
- 4.2) The French delegation had been deeply affected by the failure of the Cocoa Conference of December 1967. Before negotiations were resumed, the misunderstandings as to objectives, particularly the protection of minimum prices, must be cleared up, and a solution must be found to the problem of allocation of votes in the International Cocoa Council.
- 4.3) One characteristic of the rubber market was competition between natural and synthetic rubber; another was a certain equilibrium in the natural rubber market. However, prices had fallen sharply in recent months and the producers' loss in earnings had been considerable. Examination of the possibility of organizing the rubber market should therefore be resumed and speeded up.
- 4.4) The Study Group on Oilseeds, Oils and Fats at present meeting in Rome would submit its conclusions to the Committee, which would then have an opportunity of examining the matter.
- 4.5) His delegation considered that the problem of the sugar market had been badly stated. After a far-reaching study, the International Sugar Council had estimated that the real excess of stocks in relation to needs was only 2.5 million tons. That excess, which seemed very small in relation to the annual production and consumption of 65 million tons, bore heavily on an increasingly limited "free market" of hardly more than 6 million tons. In that connexion, he agreed with the opinion expressed by the Australian representative in plenary session that means must be found of replacing excess stocks in the global picture of world consumption - which could not be done through quota machinery.
- 4.6) As far as bananas were concerned, the producers and their Governments received very different returns according to the geographical production zones, although

consumer prices were about the same in the principal importing countries. It should be possible to improve the most unfavourable purchasing conditions, and in that particular case the technique of a minimum import price seemed appropriate.

- 4.7) Although France was only a moderate consumer of tea, it was ready to take an active part in a cooperative effort to stop the fall in prices and to seek ways and means of achieving an eventual price increase.

5) Mr. Janton concluded by saying that he did not share the view that there had been no progress during recent years towards a solution of commodity problems, although the progress made had been much less than anticipated. The existence of the Coffee Agreement had secured for producers considerably higher earnings than in the period preceding the Agreement. Moreover, the efforts made in the framework of the World Food Programme to stabilize food prices on the local markets of the developing countries offered the possibility of improving the producers' lot. There should be more experiments of that kind, and the financing institutions should help to finance them. In whatever field stability and security were increased, the resulting benefits would gradually spread and contribute towards the strategy of development.

cc: Mr. Karasz (2)
Mr. N. A. Sarma

ROUTING SLIP

Date

Feb. 27, 1968

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Demuth

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

Please handle.

G.D. Woods

From

Mr. Miss Schmitt

Room 1220

Association Internationale de
Développement Rural Outre-Mer
20, Avenue des Arts
Brussels

February 21, 1968

Mr. George D. Woods
President
World Bank Group
Washington, D.C.

Dear Mr. President:

The French daily, "Le Monde" has printed a full-length critical report on the speech you gave at the UNCTAD Conference in New Delhi on February 9.

You spoke there in the clear and courageous spirit of a man of good-will, lucid and with a wealth of experience behind you. According to the paper, you made "no concession to demagogy." It was probably, you said, the last occasion on which you would address an intergovernmental conference in your capacity as President of the World Bank, and your speech was therefore something in the nature of a "spiritual testament."

What particularly impressed us was the overriding importance which you rightly ascribed to the agricultural development of the less developed countries. It is quite obvious that these nations must do their very utmost to raise the productivity of the agricultural sector and thereby gradually phase out their costly food imports.

You already gave clear expression to this basic concept in your speech on November 13, 1967 before the Economic and Social Council in New York. We fully endorse it.

TRANSLATION SECTION		E-188/68
Translated From: French 2-23-68	By: RFW:yc	

seen Feb. 29/68

These are things that cannot be over-stressed. To our association, which for the past three and a half years has been active in rural areas overseas, these ideas are obviously familiar.

In this field we apply the "grass roots" methods of overall development, for the direct benefit of the people concerned, and with their assistance.

I have the honor to enclose a brochure setting forth our philosophy, aims and achievements up to April 1967. Thus far, our operations have been confined strictly to the African territories that were formerly under Belgian jurisdiction, but we are fully prepared to extend our activities to countries elsewhere.

Our association, which is non-profitmaking, works solely with the help of funds allocated to us by:

- the Belgian Government;
- the Governments of interested countries;
- international agencies, such as EDF, ILO and UNHCR

The latter agency has entrusted us with the settlement in Burundi of several tens of thousands of refugees. Our field teams have settled them in agriculture; the results are very favorable and have earned us the congratulations of visitors, particularly those of UN experts.

also

I am enclosing a booklet which will provide you with a few details regarding our work there, which is fortunately to be continued thanks to assistance we have received from the UNDP.

The UNDP sent me to the area last year, along with Minister Dey, as a consultant to take stock of the situation.

One of the aims of our association is to become one of the operational arms of the UNDP, where the top officials are being increasingly won over to the theories of overall development.

Please accept, etc.

(sgd) H. Willot

Administrateur Délégué

NDe/Mi.

ASSOCIATION INTERNATIONALE DE
DÉVELOPPEMENT RURAL OUTRE-MER

A. I. D. R.

(Association sans but lucratif)

20, AVENUE DES ARTS - BRUXELLES 4

FEB 23 Rec'd *x alpe - A I D R*
x S - Agric - sens -
INTERNATIONALE VERENIGING VOOR
PLATTELANDSONTWIKKELING OVERZEE

I. V. P. O.

(Vereniging zonder winst oogmerk)

KUNSTLAAN, 20 - BRUSSEL 4

TÉLÉPHONES { 12.87.19
TELEFONEN { 12.87.92

N°
N°

BRUXELLES, le 21 février 1968.
BRUSSEL, de

OBJET
VOORWERP

Annexe :
Bijlage :

Monsieur George D. WOODS,
Président du Groupe de
la Banque Mondiale,
1818 H Street
N.W. WASHINGTON.
D.C. 20433

TRANSLATED

U.S.A.

FEB 26 1968

I.B.R.D.

Monsieur le Président,

Le journal français LE MONDE, a donné une importante recension du discours que vous avez prononcé à la Conférence de l'U.N.C.T.A.D à New-Delhi le 9 février.

Vous avez tenu là le langage net et courageux d'un homme de bonne volonté, lucide et de grande expérience. Vous n'avez fait, dit le journal, "aucune concession à la démagogie". C'était probablement, avez-vous dit, la dernière fois que vous preniez la parole à une conférence intergouvernementale en qualité de Président de la Banque Mondiale et ce fut là donc une sorte de "testament spirituel".

Ce qui nous touche particulièrement, c'est la place prépondérante que, à juste titre, vous accordez au développement agricole des pays moins développés. Il est bien évident que ces Etats doivent tendre tous leurs efforts pour parvenir à une meilleure productivité dans le domaine agricole et ainsi renoncer progressivement à de coûteuses importations de produits alimentaires.

Cette conception de base, vous l'aviez déjà exposée en détail au cours de votre discours du 13 novembre dernier, prononcé à New-York à la tribune du Conseil Economique et Social. Nous y souscrivons pleinement.

Ce sont des idées que l'on ne saurait jamais trop mettre en évidence. Pour notre association qui s'occupe depuis 3½ ans du milieu rural outre-mer, ces concepts sont évidemment familiers.

. / .

acc. Feb 29/68

également intéressés.
debuta en 1918 au moment où l'Europe était en proie à ces concepts sont
florissants en Europe. Pour cette association ont été
ce sont des idées que l'on ne saurait jamais

sociales nous les soumettrons brièvement.
nous, prononce à New-York à la fin de la conférence économique et
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vé par les nombreuses études à l'usage de l'Europe, nous accordons en
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nelle. C'était proprement, avec nous que la dernière fois
nous avons fait, que le journal "aucune concession à la déma-
nde d'un homme de bonne volonté, justice et de grande expérience".
Nous avons tenu la grande nef et collègues

conférence de l'U.N.I.C.T.A.D. à New-York le 8 février.
importante discussion du discours que nous avons prononcé à la
le journal français le monde, a donné une

Monsieur le Président,

T.B.D.

FEB 20 1968

TRANSLATED

U.S.A.

Bijlage :

Annexe :

LOOSMEER
OBJET

D.C. 50433
N.M. WASHINGTON
1918 H Street
la grande mondiale
président du groupe de
Monsieur George D. Woods

TELEPHONE 1 15'83'25
TELEPHONE 2 15'83'10

IN
No

BUSSEY 96
BUSSEY 16 31 février 1968

30 AVENUE DES ARTS - BRUXELLES 4
(Association sans but lucratif)

A. I. D. B.

DELEGATION BURUG OUTRE-MER
ASSOCIATION INTERNATIONALE DE
INDUSTRIE

KUNSTGARD 30 - BRUSSEY 4
(Vereniging zonder winstoedwerk)

I. A. B. O.

BYATTEGANDSONTWIKKELENG OLEERSEE
INTERNATIONALE LEBENIGING LOOB
FEB 23 1968

Nous y appliquons les méthodes du développement global au ras du sol, au profit direct des populations concernées et avec leur concours.

J'ai l'honneur de vous remettre en annexe, une brochure qui expose notre philosophie, nos objectifs et nos réalisations jusqu'à avril 1967. Ce travail se localise jusqu'ici rien que dans les territoires africains anciennement sous juridiction belge, mais nous sommes tout disposés à aller travailler ailleurs également.

Notre Association sans but lucratif, n'oeuvre qu'à l'aide de capitaux que nous alloue le Gouvernement belge, ou les gouvernements des Etats intéressés, ou des institutions internationales telles que le F.E.D., le B.I.T. ou le U.N.H.C.R..

Ce dernier organisme nous a confié l'installation au Burundi de plusieurs dizaines de milliers de réfugiés. Nos équipes sur place les ont installés dans l'agriculture. Les résultats sont très favorables et nous valent les félicitations des visiteurs, notamment des experts des Nations Unies.

Je joins également une plaquette qui vous procurera quelques détails sur le travail réalisé là-bas et qui, heureusement, va pouvoir se poursuivre grâce à l'intervention du U.N.D.P.

Cette institution m'a envoyé sur place, l'an dernier, avec M. le Ministre DEY, en qualité de consultant pour faire rapport sur la situation.

Notre association ambitionne de devenir l'un des organismes opérationnels du P.N.U.D. dont les hauts dirigeants sont de plus en plus conquis par les théories du développement global.

Je vous prie, Monsieur le Président, de croire à l'assurance de ma haute considération.

L'Administrateur Délégué,



H. WILLOT.

UNCTAD

INCOMING CABLE

DATE AND TIME
OF CABLE: **FEBRUARY 21, 1968** **1825**

LOG NO.: **WU 2 / 22**

TO: **INTBAFRAD**

FROM: **NEW DELHI**

ROUTING	
ACTION COPY:	MR. FRIEDMAN
INFORMATION COPY:	MR. DEMUTH
DECODED BY:	

TEXT:

13 FOR FRIEDMAN COPY DEMUTH.

YOURS 9 ✓ ANSWERED MY 11 ✓ WHICH MUST HAVE ARRIVED MEANTIME.

ACCOMMODATION RESERVED FOR JALAN ASHOKA FROM MONDAY 26

REGARDS

KARASZ

IR

FEB 22 12 13 PM 1968

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: INTBAFRAD
NEW DELHI

DATE: FEBRUARY 21 1968

CLASS OF
SERVICE: LT

COUNTRY: INDIA

TEXT:
Cable No.:

~~13~~ 13 FOR KARASZ AND SARMA

IDA REPLENISHMENT EXPECTED TO BE CONSIDERED BY EXECUTIVE DIRECTORS
WISHES
DURING EARLY MARCH (STOP) WOODS ~~BELIEVES IMPORTANT FOR~~ ME TO BE IN
WASHINGTON THEN ~~(STOP)~~ BUT BELIEVES IMPORTANT FOR ME TO ATTEND UNCTAD
FOR SIGNIFICANT PERIOD OF TIME (STOP) WILL THEREFORE PLAN TO BE IN
DELHI FOR LAST PART OF CONFERENCE FROM ABOUT MARCH 13 OR 14 TO END OF
CONFERENCE PLEASE INFORM PREBISCH, EVERTS AND OTHERS INTERESTED (STOP)
HAVE FULLY INFORMED JALAN OF DISCUSSIONS TODAY WITH MR. WOODS ON
SUPPLEMENTARY FINANCE (STOP) HE EXPECTS TO BE IN DELHI MONDAY (STOP)
REGARDS

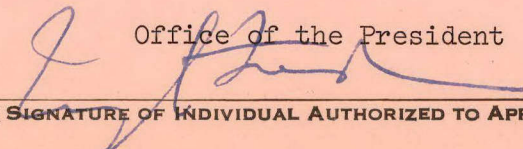
FRIEDMAN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Irving S. Friedman

DEPT. Office of the President

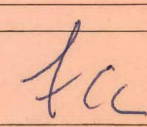
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Checked for Dispatch: 

acc Feb. 28/68

INTERNATIONAL DEVELOPMENT
ASSOCIATIONINTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENTINTERNATIONAL FINANCE
CORPORATION

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TO: ARTHUR KARASZ
ASHOKA HOTEL
NEW DELHI

DATE: FEBRUARY 21, 1968

CLASS OF
SERVICE: LT

COUNTRY: INDIA

TEXT:
Cable No.: 12

#1 26.15/68

REURLET 16 DO NOT UNDERSTAND BRAZILIAN DELEGATES REFERENCE TO CHANGE
IN LENDING POLICIES OF BANK REGARDING PROCUREMENT STOP FOR MANY YEARS
THE BANK HAS BEEN PREPARED IN SUITABLE CIRCUMSTANCES TO FINANCE
EXPENDITURE ON GOODS AND EQUIPMENT MANUFACTURED LOCALLY PROVIDED
PRICES WERE REASONABLY IN LINE WITH WORLD PRICES STOP IN DOING SO WE
ARE THUS RECOGNIZING THE INTEREST OF DEVELOPING COUNTRIES IN FOSTERING
LOCAL INDUSTRIES ON COMPETITIVE BASIS REGARDS

DEMUTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Richard H. Demuth

DEPT. Development Services

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

SRCope/FConsolo/mncd

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Cleared with and cc: Mr. Cope
cc: Mr. Alter

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Checked for Dispatch:

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TO: ARTHUR KARASZ
ASHOKA ~~HOTEL~~
NEW DELHI

DATE: FEBRUARY 21, 1968

CLASS OF
SERVICE: LT

COUNTRY: INDIA

TEXT:
Cable No.: 11

Rec

IDA OFFICIALS MEETING ADJOURNED WITHOUT ISSUING COMMUNIQUE. ALL YOU CAN APPROPRIATELY SAY TO COMMITTEE THREE IS THAT ACTIVE NEGOTIATIONS ARE CONTINUING AND THAT WE HAVE EVERY REASON TO EXPECT THAT AGREEMENT WILL BE REACHED AND TRANSMITTED BY EXECUTIVE DIRECTORS TO BOARD OF GOVERNORS WITHIN NEXT MONTH PROVIDING FOR REPLENISHMENT ON BASIS OF SIXTY PERCENT INCREASE AND COMPLETELY UNTIED FUNDS. MILLER WRITING. REGARDS

DEMUTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Richard H. Demuth

DEPT. Development Services

SIGNATURE
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

RHD:tf

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cc: Mr. Consolo
European Office

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Checked for Dispatch:

fa

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Date
Feb. 26, 1968

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Wm. Clark

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

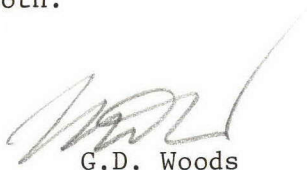
Signature

Initial

Send On

Remarks

Please let me have an acknowledgment to
send to Mr. Rooth.



G.D. Woods

From

Lidingö, February 21, 1968

x Booth, 9.
FEB 26 REC'D

Dear Mr. Woods,

I time

Your speech at New Delhi which I got a couple of days ago was very interesting. Tainsh and I are especially glad that - as far as I know - you for the first/ talked about the necessity of reducing waste which, as you say, nowhere is more serious than in agriculture. I am not so optimistic that I believe that all waste will disappear in all countries. It will take some time even to reduce the present waste by 50 per cent. That would be my first goal.

It would probably have been more striking if you had given not only the global figure of one third of the crop as waste but also the figure of the loss in, say, India. In the hot and humid Indian regions it is considerably higher than in other parts of India. Fish, meat, fruits and vegetables are in some regions wasted at a higher percentage than 50.

The effect of your statement had probably also been greater if you had repeated it also at the end of your speech, thus giving five instead of four points.

I am, as you know, always stressing that it is not only a question of increased production but of how much food is available for consumption. I have mentioned this in discussions with your staff and, in 1963 when I attended the Annual Meeting, also with yourself. Shortly after that meeting I saw Dr. Sen in New York. He was aware of that the figure given by FAO about no waste in India was not correct, although it was based upon information from the Indian Government. Unfortunately, Dr. Sen did not take any initiative to propagate for reducing waste. Let us hope that his successor Dr. Boerma will accept your view.

Mr. Munshi, the Republic of India's first minister of food, and several others - notably Tainsh - have tried to draw attention to the great waste of food in India and some other countries.

In your speech at New Delhi you repeated the proposal for a "Grand Assize" which you made in Stockholm. From my memo of January 18, 1968, which I sent you with one of my December letters, you will understand that I do not believe in this proposal. My reasons are given in that memo.

However, I am in full agreement with you that something must be done. My suggestion is that, as soon as possible, your representatives in all the developing countries after contacting all other development banks and the Governments of the countries (as well as people with long experience of that country), should try to find out which projects should have the highest priorities for each country. Thereafter, IBRD will have the difficult job to consider which projects for each country should have a really high priority and later on to decide the order in which you think that it is possible for you to do something for the countries.

I do hope that your endeavor to obtain money for IDA will soon meet with success. Personally, I would not have any objections if a country as a condition for its contribution will insist that the money must only be used for purchases in the contributing country as the US is said to do. I think that it is better to give up a good principle than not being able to continue your lending. The time element is, as we all know, very important for the developing countries.

Nor would I have any objections against a demand from a country to have its money used only for such projects which the contributing country finds to be especially interesting and of great importance. The latest Swedish contributions have followed that line.

I do hope that countries giving new contributions will not insist upon special terms for repayments as Sweden unfortunately has done at least in the Pakistani case.

acc. Feb. 29, 1968

in the region

I do hope that ~~countries giving~~^{all} ~~new~~ contributions to IDA will become gifts to the organization. I have a strong feeling that sooner or later you will have not only to postpone repayments on IDA loans but also to give up your claim partly or in full.

You told us in Stockholm that IBRD had great difficulty in obtaining enough new loans for repayment of old loans, now due, as well as money for continuing the present work of IBRD, even if it has to be on a reduced scale.

I was glad to find that you mentioned that up to now many bilateral programmes of assistance have had as one of their primary objectives of helping the high income countries themselves. They have, as you said, often looked mainly toward financing export sales, toward tactical support of diplomacy or toward holding military positions thought to be strategic.

Of course, I agree with your statements that the international organizations are contributing more to the surplus of oratory than to the stock of new ideas and useful activities. I do also agree with your remark about the mistake of continuing the multiplication of new organizations.

In order to avoid exaggerated expectations in the developing countries it is of great importance to stress, as you did, the necessity to stop their inproductive public expenditures. It might interest you to hear that, when I, in 1951, was in Iraq for IBRD, one of the leading Iraqis gave me the following answer to my question about which principles he wanted IBRD to follow. His answer was: "The two conditions for a project should be that the project is conspicuous and that it can be started at once and finished as soon as possible." ~~I~~ hope that, in spite of your arguments for discontinuing Gene Blacks practice of telling the developing countries to reduce their military expenditures if they want to get new loans from the Bank, IBRD will soon accept Black's line.

It goes without saying that the military machine of most countries is needed, not to prevent invasions, but only to prevent the present ruler or ruling group to be turned down by another group in the country.

Another aspect which so far has not been discussed often enough is the nationalist policies of many countries. They must understand that, as Mr. Nyerere said when he became President of Tanzania, "we need help from foreign countries and foreigners for many years." Last year he had, however, forgotten it when he suddenly nationalized a lot of foreign enterprises. Kenya, Uganda and some other countries have also introduced policies which have led to the exodus of foreign subject and a set-back in production, exports and imports. Among nationals that had to leave the country ~~where~~ were not only British and American subjects but also ~~/~~ Pakistanis, even those born in the country. Much of the know-how necessary has thereby been deprived the countries.

When a foreign company has started a factory in a country, often at the suggestion of or at least with the approval of the then Government, the present Government must permit a number of the leading foreigners to continue to work in the country. To this group belong Indonesia, Ceylon, India and some Arab countries. The latest results of this tendency is the steady and increasing flow of Indians and Pakistanis from Kenya etc. to Great Britain.

The developing countries should also be told that they must not borrow from IBRD and IMF when it is unlikely that they will be able to service the loans. From this point of view it is to be regretted that the Fund lately approved of a new drawing by Egypt. I have in my previous letters given you my reasons for my considering Egypt not eligible for new loans. Instead of trying to obtain more planes, guns etc. Egypt ought to have begun peace discussions with Israel. Egypt is, unfortunately, not the only country which does not try to keep its house in order economically.

The UNCTAD conference had been the right place for telling also the industrial countries that, as Gene Black always said, "Trade not Aid" is necessary. In the discussion in Stockholm, I gave some examples of what the US, the EEC countries, the EFTA countries and the Communistic countries ought to do not only with regard to tropical products and raw materials but also to some semi-manufactured and certain finished products.

I am not too impressed by what France is doing for its former colonies, especially as EEC on French insistance is discriminating all other developing countries unless they, as Nigeria, have made an agreement with EEC.

Nor do I like the French military help. However, I think we must be glad that France is helping its former colonies and thus removes the necessity for IBRD and others to give them any loans. It is also to be regretted that France does not give more multilateral aid. Not only all French military, but also at least a part of its economic aid to the colonies ^{is} ~~are~~ given for political reasons. *Don't know*

This letter is also partly a reply to your interesting letter of December 29, for which I thank you. I am glad to hear that you cooperate more now than before with IMF. I hope that IBRD, IMF, IDB and the UN Organizations will in the coming years cooperate even more closely with each other.

May I use this occasion to thank you for what you have done for IBRD and to wish you and Mrs. Woods the very best for the future.

Yours sincerely,

Barroff

Letter No. 8

February 21, 1968

Dear Arthur:

Behind the cable we sent you today is a gap - of \$20,520,000 (or \$6,840,000 per annum).

In the papers we sent out before the meeting there was, we thought, a deficit of only 0.30%, made up of

U.S. reduction		1.89%
Belgian increase	0.59%	
Swiss loan	<u>1.00%</u>	<u>1.59%</u>
		0.30%

However, this week we were faced by three more countries:

France	from 8.31% to 8.10%	0.21%
Australia	from 2.66% to 2.00%	0.66%
South Africa	from 0.54% to nil	<u>0.54%</u>
		1.41%

That makes a total shortfall of 1.71% and we have not been able to solve it yet. During a 2¹/₂ day meeting we got most other matters settled (including a difficult problem of Australia demanding an assurance of U.S. treatment if they demanded it for serious balance of payments reasons) and papers will go to the board for consideration on either March 7 or March 12.

The position of South Africa is obscure. All they have done so far is to cable that they are still considering the matter but there are indications that their treatment in Delhi and over the Olympics is likely to make them give up.

Mr. Arthur Karasz
C/o Ashoka Hotel
New Delhi
India

/...

By the time the papers go to the board we have got to find the missing \$20 million. We look like getting marginal increases from Norway (from 0.89 to 1.00), Denmark and Finland and we are hopeful that Sweden and Canada will provide the rest in the form of supplementary subscriptions. If we are successful I presume we will make an announcement as soon as the Board makes its recommendation to the Governors. That is about all there is to say.

I have been immoved in the 10th Floor Conference room so I have hardly seen or heard anything else. But on Tuesday the Board formally approved McNamara's contract, providing for him to take over on April 1.

Yours ever,

John D. Miller

cc: Mr. Wishart - Paris

JDM/immcd

UN 582

February 21, 1968

Letter No. 7

Dear Arthur:

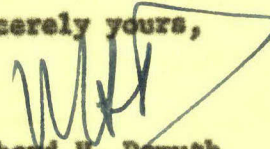
I have been thinking about the desirability of giving the Executive Directors a report on what is happening at UNCTAD.

As you will probably remember, in addition to your oral report in July 1964, two written reports were given to the Executive Directors during the course of UNCTAD I, one about half-way through the Conference and one just before its close. These reports were prepared jointly by the Bank and Fund Delegations to the Conference, and were given simultaneously to the Bank and Fund Boards.

I believe it would be a good idea to follow a similar procedure this time. The Fund agrees, and a letter to this effect will be going out to Edgar Jones. There will be enclosed with the Fund letter copies of the UNCTAD I reports, which might be useful as models. I would like to aim at a first report to the Executive Directors as early as possible in March. It may be that the points of interest will be few, but I think the Directors will wish to be informed, no matter how little of substance there is to report.

With kind regards,

Sincerely yours,



Richard H. Demuth
Director
Development Services Department

Mr. Arthur Karasz
c/o Resident Representative
IBRD
P.O. Box 416
New Delhi, India


Sloskey/ts

cc: Mr. Consolo

ccu March 6/68
(catb) 4 March 5/68

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: INTBAFRAD
NEW DELHI

DATE: February 20, 1968

CLASS OF
SERVICE: L.T.

COUNTRY: INDIA

RCM

TEXT:

Cable No.: ~~No.~~ 9 FOR KARASZ

JALAN WILL BE LEAVING FOR NEW DELHI THIS WEEK ARRIVING MONDAY TWENTYSIX STOP
HE WILL CARRY PAPERS ON SUPPLEMENTARY FINANCE STOP PLEASE ARRANGE HOTEL
BOOKING FOR HIM STOP EYE WILL BE INFORMING YOU LATER OF MY PLANS STOP HAVE
NOT RECEIVED REPLY TO MY CABLE OF FEBRUARY SIXTEEN TO YOU STOP REGARDS

✓

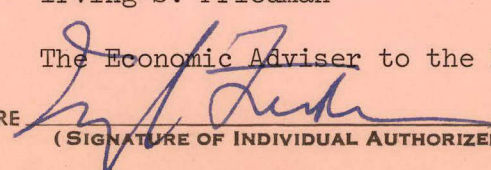
FRIEDMAN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Irving S. Friedman

DEPT. The Economic Adviser to the President

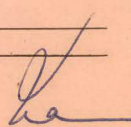
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(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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SIGNATURE

DATE

NAME

MESSAGE AUTHORIZED BY

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RECEIVED

NOT RECEIVED REPLY TO MY CABLE OF FEBRUARY SIXTH TO LON GLOB BECAUSE
BOOKING FOR HIM GLOB. HE MIGHT BE INFORMING LON GLOB OF MY LEAVING GLOB. HAVE
HE MIGHT CANCEL MYSELF ON SUBSEQUENTLY FINANCE GLOB. PLEASE ADVISE HOTEL
LATER MIGHT BE TRAVELING FOR NEW DETENT THIS WEEK VISITING MONDAY JANUARY GLOB

Cable No:

No. 100 KARASZ

TEXT:

COLLIER:

INDIV

SERVICE
CLASS OF

P.D.

TO:

NEW DETENT
IMMEDIATE

DATE:

February 20, 1969

OUTGOING MIKE

ASSOCIATION

INTERNATIONAL DELEGATION

RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR

CORPORATION

INTERNATIONAL FINANCE

(3-01)

FORM 100-31

22 65 02

IDA		IBRD		IFC	
FORM NO. 92 (10-61)					
CORRESPONDENCE RECORD FORM					
FROM				DATED	
Bank of Israel Jerusalem, Israel				-----	
SUBJECT					
Address by Mr. D. Horowitz, governor of the Bank of Israel at UNCTAD Conference in New Delhi, Feb. 1968.					
Addressed and					
REFERRED TO Mr. Woods				DATE RECEIVED Feb. 20, 1968 jgv	

OUTGOING WIRE

TO: ARTHUR KARASZ
ASHOKA HOTEL
NEW DELHI

DATE: FEBRUARY 20, 1968

CLASS OF
SERVICE: LT

RCL

COUNTRY: INDIA

TEXT:

Cable No.: 10

✓ 2b 20/68 ✓ 2b 20/68

REURCABS 10 AND 12 PRIMO ON ITEM FOUR SUGGEST YOU REITERATE BANK POLICY AS STATED IN WOODS ECOSOC SPEECH AND STATEMENT TO AFRICAN CAUCUS BUT WITHOUT SPECIFICALLY MENTIONING CAUCUS STATEMENT. SEGUNDO AGREE YOUR LINE ON ITEM FIVE BUT SUGGEST THAT EMPHASIS BE ON FACT BANK IS NOW IN EFFECT AGENCY ALMOST EXCLUSIVELY FOR DEVELOPING NATIONS RATHER THAN ON FACT LOAN POLICY DECIDED BY BOARD. LATTER CIRCUMSTANCE DOES NOT SEEM PARTICULARLY RELEVANT. TERTIO CONCERNING PROPOSAL FOR TOTAL PREPAYMENT CURRENT LOANS BY DEVELOPED COUNTRIES, WE SHOULD TRY TO AVOID GETTING INVOLVED IN DISCUSSION SINCE, WHILE BANK ALWAYS WELCOMES PREPAYMENT OF LOANS OR PURCHASE OF LOANS FROM ITS PORTFOLIO, BANK HAS NO RIGHT TO INSIST ON THIS. ACCORDINGLY EXTENT TO WHICH PROPOSAL IN ALGIERS CHARTER CAN BE IMPLEMENTED MUST DEPEND ON WILLINGNESS AND ABILITY OF DEVELOPED COUNTRIES TO MAKE PREPAYMENT, RATHER THAN ON BANK ACTION. PLEASE ALSO NOTE THAT PREPAYMENT TO BANK WOULD NOT DIRECTLY AUGMENT IDA RESOURCES. QUARTO WILL WIRE AGAIN TOMORROW STATUS IDA REPLENISHMENT AFTER CONCLUSION DEPUTIES' MEETING. REGARDS

DEMUTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Development Services

DEPT. Richard N. Demuth

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

RHD:tf

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cc: Mr. Consolo

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Checked for Dispatch:

OUTGOING WIRE

TO:

ARTHUR KARAS
ASHOKA HOTEL
NEW DELHI

DATE:

FEBRUARY 20, 1968

CLASS OF
SERVICE:

IT

COUNTRY:

INDIA

TEXT:

Cable No.:

10

REURCARB 10 AND 12 PRIMO ON ITEM FOUR SUGGEST YOU RETERRATE BANK POLICY AS
STATED IN WOODS ECOSOC SPEECH AND STATEMENT TO AFRICAN CAUCUS BUT WITHOUT
SPECIFICALLY MENTIONING CAUCUS STATEMENT. SECONDO AGREE YOUR LINE ON
ITEM FIVE BUT SUGGEST THAT EMPHASIS BE ON FACT BANK IS NOW IN EFFECT AGENCY
ALMOST EXCLUSIVELY FOR DEVELOPING NATIONS RATHER THAN ON FACT LOAN POLICY
DECIDED BY BOARD. LATTER CIRCUMSTANCE DOES NOT SEEM PARTICULARLY RELEVANT.
THIRTO CONCERNING PROPOSAL FOR TOTAL PREPAYMENT CURRENT LOANS BY DEVELOPED
COUNTRIES, WE SHOULD TRY TO AVOID GETTING INVOLVED IN DISCUSSION SINCE
WHILE BANK ALWAYS WELCOMES PREPAYMENT OF LOANS OR PURCHASE OF LOANS FROM ITS
PORTFOLIO, BANK HAS NO RIGHT TO INSIST ON THIS. ACCORDINGLY EXTENT TO WHICH
PROPOSAL IN ALGIERS CHARTER CAN BE IMPLEMENTED MUST DEPEND ON WILLINGNESS
AND ABILITY OF DEVELOPED COUNTRIES TO MAKE PREPAYMENT, RATHER THAN ON BANK
ACTION. PLEASE ALSO NOTE THAT PREPAYMENT TO BANK WOULD NOT DIRECTLY AUGMENT
IDA RESOURCES. QUARTO WILL WIRE AGAIN TOMORROW STATUS IDA REPLENISHMENT
AFTER CONCLUSION DEPUTIES' MEETING. REGARDS

DEMUTH

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I N C O M I N G C A B L E

DATE AND TIME
OF CABLE:

FEBRUARY 20, 1968

1750

LOG NO.:

WU 18 / 20

TO:

INTBAFRAD

FROM:

NEW DELHI

R O U T I N G

ACTION COPY: MR. DEMUTH

INFORMATION
COPY:

DECODED BY:

TEXT:

12 FOR DEMUTH

FURTHER MY CABLE 10 ✓ PRESSURE INCREASES FOR ALGIERS CHARTER PROPOSAL IN
CHAPTER C PARAGRAPH 1 (E) ACCORDING TO WHICH "TOTAL REPAYMENT OF CURRENT
LOANS BY DEVELOPED COUNTRIES IN ADVANCE OF MATURITY SHOULD BE SECURED.
SUCH RELEASED FUNDS SHOULD BE USED TO AUGMENT RESOURCES OF IBRD AND IDA
TO FINANCE DEVELOPMENT OF DEVELOPING COUNTRIES" BELIEVE MY FORTHCOMING
STATEMENT SHOULD REFER ALSO TO THIS IDEA. PLEASE CABLE ATTITUDE I SHOULD
TAKE

KARASZ

IR

ack Feb 20/68

INCOMING CABLE

DATE AND TIME
OF CABLE:

FEBRUARY 20, 1968

1135

ROUTING	
ACTION COPY:	MR. DEMUTH
INFORMATION COPY:	
DECODED BY:	

LOG NO.:

WU 6 / 20

TO:

INTBAFRAD

FROM:

NEW DELHI

TEXT:

10 FOR DEMUTH

FURTHER MY CABLE 9 ON IDA AND QUESTION CONTAINED MY LETTER 16 CONCERNING BRAZILS ENQUIRY ON PROCUREMENT PROCEDURES. COMMITTEE THREE REQUESTS ME STATE BANK POSITION ON ITEMS 12 A AND B OF ITS AGENDA. THIS MEANS SUBJECTS AS FOLLOWS:

- FIRST TRANSFER OF TEN MILLION DOLLARS BANK PROFITS TO IDA.
- SECOND ROLE OF PRIVATE CAPITAL (MULTILATERAL INVESTMENT INSURANCE).
- THIRD CONSORTIA AND CONSULTATIVE GROUPS; OUR PRESENT VIEWS.
- FOURTH BANK POSITION TOWARDS PUBLIC INDUSTRIAL ENTERPRISES.
- FIFTH ALGIERS CHARTER SUGGESTING IBRD BE BANK FOR DEVELOPING NATIONS ONLY WAS MENTIONED BY NUMBER OF LDGS IN STATEMENT TO PLENARY AND COMMITTEE THREE.

POSITIONS ON ABOVE MENTIONED ITEMS ONE TO THREE ARE CLEAR. ON ITEM FOUR THAT IS PUBLIC ENTERPRISE PROPOSE MENTION BANKS CONGO POTASH PROJECT LOAN AND STRESS MANAGEMENT EFFICIENCY CONSIDERATIONS IN WOODS ECOSOC SPEECH. SHOULD WE ALSO MENTION WOODS STATEMENT TO AFRICAN CAUCUS ANNUAL MEETINGS 1966 AND 1967? ON ITEM FIVE WOULD YOU AGREE MY STATEMENT BE BASED ON FOLLOWING: BANKS CREDIT POLICY IS DECIDED BY BOARD. BANK LENDS TO CREDIT-WORTHY COUNTRIES FOR PROJECTS IMPROVING ECONOMY OF BORROWER. PAST BANK PROJECTS INCLUDED OPERATIONS OF BOTH RECONSTRUCTION AND DEVELOPMENT BUT AT PRESENT BANK LENDS ONLY TO DEVELOPING NATIONS. THEREFORE RELATIVE ITEM

TYPED

FEB 20 10 15 AM 1968

GENERAL FILES
COMMUNICATIONS

RECEIVED FROM THE DIRECTOR OF THE FBI
ON FEBRUARY 19, 1968, AT 10:15 AM
FROM THE DIRECTOR OF THE FBI
SUBJECT: [Illegible]
[Illegible text follows]

TO THE DIRECTOR OF THE FBI
FROM THE DIRECTOR OF THE FBI
SUBJECT: [Illegible]
[Illegible text follows]

RE: [Illegible]
[Illegible text follows]

TO THE DIRECTOR OF THE FBI
FROM THE DIRECTOR OF THE FBI
SUBJECT: [Illegible]
[Illegible text follows]

RE: [Illegible]
[Illegible text follows]

INCOMING CABLE

DATE AND TIME OF CABLE: FEBRUARY 20, 1968 1135

LOG NO.: WU 6 / 20

TO: INTBAFRAD

FROM: NEW DELHI

ROUTING	
ACTION COPY:	MR. DEMUTH
INFORMATION COPY:	
DECODED BY:	

TEXT:

PAGE TWO

ALGIERS CHARTER DE FACTO REALIZED. INTEND EMPHASIZE THAT CONFORMITY WITH BANKS CHARTER DECISION ON OUR LOAN POLICY IS TAKEN BY BOARD ONLY. SHALL PROBABLY BE CALLED UPON SPEAK THIS THURSDAY THEREFORE GRATEFUL YOUR CABLING SOONEST REGARDS

KARASZ

IR

INCOMING CABLE

DATE AND TIME OF CABLE	RECEIVED NO. 1968	ROUTING
TO	FROM	ACTION COPY
TO	FROM	INFORMATION COPY
TO	FROM	RECORD COPY

PAGE TWO

RECEIVED CHARTER DE FACTO REALIZED. INTERIM EMPLOYMENT THAT CORRESPOND WITH BANKS
CHARTER DECISION OF ONE LOAN POLICY IS TAKEN BY BOARD ONLY. SHALL PROBABLY
BE CALLED UPON SUCH THIS THAT THE BANKS GATHERED THAT CARRYING ACCOUNT

RECEIVED

COMMUNICATIONS
GENERAL FILES
FEB 20 10 13 AM 1968

TYPED

ORIGINAL

INCOMING CABLE

DATE AND TIME
OF CABLE:

FEBRUARY 20, 1968

1135

LOG NO.:

WU 5 / 21

TO:

INTBAFRAD

FROM:

NEW DELHI

ROUTING

ACTION COPY:

MR. FRIEDMAN

INFORMATION
COPY:

MR. DEMUTH

DECODED BY:

TEXT:

11 FOR FRIEDMAN COPY DEMUTH

YOURS 8 [✓]SUPPLEMENTARY FINANCE WILL START SOMETIME BETWEEN FEBRUARY 28 AND
MARCH 1ST AND LAST 5 TO 7 MEETINGS. THEREFORE SUGGEST YOU PLAN ARRIVAL
AROUND FEBRUARY 28. PLEASE CONFIRM EXACT DATE ARRIVAL ENABLING ME RESERVE
SUITE AHOKA^S FOR YOU BOTH REGARDS

KARASZ

IR

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi,
India



[Handwritten signature]

Letter No. 25

February 20, 1968

Dear Dick:

Further to my letter (No. 20) of February 15, I enclose summaries, prepared by Sarma, of Committee Three meetings which took place on February 15 and 16.

With best regards,

Sincerely yours,

[Handwritten signature]

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

1948 FEB 23 PM 3:29

Washington, D.C.

Reconstruction and Development
International Bank for
Director, Development Services Department
Mr. Richard H. Dennis

Alfred Karsas

D.M.

Sincerely yours,

With best regards,

took place on February 12 and 13
announced, presided by James, of Committee three meetings with
further to my letter (No. 50) of February 12, I enclose

Best Dick:

Letter No. 52

February 50, 1948

Indis
c/o Varok Hotel, New Delhi,

Telephone - 223-3210

* VALIEN D. ENY, BAKIS (DE) - FRANCE
ENKORVAN OFFICE:

CHE VITTON - INDELAS BAKIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHE VITTON - INDELAS BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C., U.S.A.
Enclosures:

UNCTAD II : COMMITTEE III

February 15, 1968 (3.00 p.m.)

Dr. I. G. Patel of India commenced by outlining that the development of the country is the primary responsibility of the citizens of that country, but the process would be facilitated by the transfer of resources from richer countries. He had not heard any spokesman of a developed country say that the LDC's cannot today effectively utilize larger external resources to the extent of 1% of GNP of developed countries if they were provided now; nor that the developed countries together are in no position today to provide such an amount. India's view was that the 1% target should be related to GNP, to official aid, and to an amount net of amortization and interest. It is, of course, up to each individual donor country government to decide how much they would provide to LDC's by way of development assistance; however, it would be useful to have some such target in view. India also believed that the proportion of development capital flows through multilateral channels should increase, say, from 10% at present to 20% in the near future. As Sweden had stated, the proposed increase in IDA replenishment by 60% was a disappointment to the developing countries.

Mr. Jo Saxe, speaking for the United States, referred at some length to the viewpoints expressed in the U.N. Experts Group report, regarding the question of the denominator whether it should appropriately be national income or GNP. Essentially, it should be recognized that, whatever may be the targets, there was no international fiscal mechanism that was now available nor that was likely in the foreseeable future for the specific purpose of financing international development.

Mr. Saxe outlined briefly the balance-of-payments measures recently announced by the United States government in the area of capital transfers; as far as developing countries were concerned there was a ceiling of 110% of 1965/66 level, which related to the total flow of private capital from the United States and did not apply to each individual transaction. In respect of IDA replenishment certain proposals under consideration did not in any manner seek to modify the established criteria for international bidding in the operations of IDA. The U.S.A. desired a speedy conclusion of the negotiations for IDA replenishment.

The United States attached particular importance to the role of private investment; unfortunately, the available information on various aspects was deficient; accordingly, it would be most useful if studies were undertaken in depth on the rights and obligations of investing and recipient countries, and/or the economic

consequences of direct private foreign investment. Finally, the United States representative recalled certain facts about the total of economic assistance from the United States since 1946 - a total of \$90 billion, of which two-thirds had been to the LDC's largely in grants and loans on concessional terms. In future, the United States had every intention of making even greater use of international bodies than hitherto.

West Germany also emphasized the role of private investment in the development process. They hoped that IDA replenishment would be speedily completed. As for any suggestion for a change in the structure of the World Bank, this was for the Bank's Executive Board and Governors.

Canada extended its support to the Grand Assize proposal. Canada would have agreed even to a larger IDA replenishment.

The Yemen representative referred to the difficulties experienced by some of the developing countries in formulating programmes of development, especially a financing plan.

N. A. Sarma

N. A. Sarma

cc: Mr. Karasz (2)
Mr. de Fontenay

UNCTAD II : COMMITTEE III

February 16, 1968 (3.00 p.m.)

The Soviet representative repeated their familiar view that a distinction should be made between socialist and capitalist countries in considering the scale of development assistance effort, in view of historical and other factors; a part of the resources provided by capitalists developed countries should be regarded as compensation for damage done by colonial powers to LDC's over the years. He also referred to the fact that the socialist countries had no private investments in developing lands and, therefore, there were no problems of repatriation of profits and dividends. As for the basic nature of Soviet assistance to developing countries, this could not be according to some notional and global aggregates but on the basis of specific projects. He also advocated repayments by LDC's in kind, i.e. with the production resulting from the investments.

The representative of Italy felt that the proposals in the Algiers Charter which were reiterated by the spokesmen of LDC's in the Committee really amounted to a demand for the reformulation of aid targets at higher levels. Italy had reservations about such aid targets, though, they had been making steady efforts toward increasing aid volume.

Tunisia complained that the multilateral insurance idea which had been long under consideration had not yet fructified.

France referred to the existence of a real crisis in regard to the volume of development assistance; development assistance should have a longer-term basis and priority and should not depend on the difficulties of the moment.

The quantitative target of 1% was serving a useful purpose; slowly some countries were moving towards it. Even the new and somewhat higher targets now being proposed would not affect the French position, as the French effort was already well above even these new targets. Their own view, however, was that any aid target must be fairly simple in formulation.

Ghana wanted some concrete steps by donor countries, not just a descriptive account of the plight of LDC's. Most spokesmen of donor countries themselves had admitted that aid flows were inadequate.

The proposal for a Grand Assize was welcome, but should not be used as a device to delay action now.

N.A. Sarma
N.A. Sarma

cc: Mr. Karasz (2)
Mr. de Fontenay

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:
4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE
Telephone - 553-2510

Letter No. 24

February 19, 1968

Dear Dick:

Committee I (Commodities) is discussing buffer stocks. The developing nations keep repeating the idea contained in the Algiers Charter requesting the international institutions to finance buffer stocks, if needed. No-one has given any indication on how such financing should be undertaken.

I am wondering whether, one day, we shall be required to answer these proposals. I would, therefore, be grateful for your advice on what lines the statement should take.

The developed nations, with the exception of France, are of the opinion that nothing should be done on this subject until the IBRD-IMF study has been completed and submitted to the two boards. France goes further: as you will see from a detailed report by de Fontenay, France feels UNCTAD should indicate that it considers the study of great importance and should ask the Bank and Fund to officially transmit the text after completion.

With best regards,

Sincerely yours,

Arthur
Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

*acm. Feb 23/68
(cable)*

Washington, D.C.

Reconstruction and Development

International Bank for

Director, Development Economic Department

Mr. Richard H. Denton

1968 FEB 23 PM 3:31

ALFRED KATZ

Sincerely yours,

With best regards,

transmit the text after completion.

These instructions and should ask the Bank and find to officially
Finance Dept DISCUSS should indicate that it considers the study of
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study has been completed and submitted to the two boards. Finance
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quarter redrawing the international institutions to finance other
developing nations keep releasing the fees contained in the various

Committee I (Commodity) is discussing other stocks. The

Dear Dick:

Letter No. 51

February 18, 1968

Telephone - 223-3210

* YVES D. DE LA, PARIS (19) - FRANCE

EUROPEAN OFFICE:

CHIEF OFFICE - PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHIEF OFFICE - PARIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



ROUTING SLIP

Date

Feb. 19, 1968

OFFICE OF THE PRESIDENT

Name

Room No.

~~Mr. Demuth~~

Mr. Lind

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

Please handle on my behalf.



G.D. Woods

From

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

(Typed from handwritten letter)

7172 La Presa Drive
Hollywood, California
February 16, 1968

Dear Mr. Woods:

Your recent speech in New Delhi was what I have been trying to say ever since our policy of wet-nursing the world began when F.D.R. sent Nelson Rockefeller to South America as a "good neighbor." I have a degree in Economics from the University of Wisconsin (1921) and my business life for 40 years was spent in banks and the stock market, so the matter of earning money, conserving it, and putting it to its highest and best use is a familiar subject, altho I don't claim to be an expert.

I think our high level policy of foreign aid and foreign loans completely negates our time proved rules of self-help and free enterprise, and as a corollary is a disservice to the recipients for the reasons outlined in your speech. And of course the end result is enmity instead of friendship, when the handouts stop. Seems to be the normal reaction between donor and donee. It has happened in our family and probably in yours. The waste of money in our local poverty programs is unbelievable! We have seen the poverty and misery of the people in Morocco. Yet 2 or 3 years ago when we made a grant to the King, he used the money to buy a fleet of Cadillacs, special linens and other merchandise for himself and family.

We hope you can get your ideas over to your successor.

Cordially,

/s/ Samuel C. Wright

xalpbm - Wright, S.C.
FEB 19 REC'D

SAMUEL C. WRIGHT
7172 LA PRESA DRIVE
HOLLYWOOD 28, CALIFORNIA

16 Feb. 68

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We hope you can get your ideas over to your successors.
Cordially, Samuel C Wright.

over Feb. 27/68

Letter No. 6

February 16, 1968

Dear Arthur:

This is just a hurried note to thank you for your letters and reports which are regularly flowing in and make very interesting reading.

I am handling the distribution of your letters and am the "central" post office for eventual comments which should be relayed to you. So far nothing.

As on Monday I shall be in New York, I want this to leave before the "close of business" so that you will not feel completely at a loss as to whether or not your communications are arriving.

I will write to you in greater detail next week.

Hoping that Eva and you have time to enjoy some extra-conference activities and with my regards to you both and your two colleagues.

Sincerely yours,

Federico Consolo

Mr. Arthur Karasz
C/o Resident Representative
International Bank for Reconstruction
and Development
P.O. Box 416
New Delhi, India

FC/mmed



INCOMING CABLE

DATE AND TIME
OF CABLE: FEBRUARY 16, 1968 1340

LOG NO.: WU 12/19

TO: INTBAFRAD

FROM: NEW DELHI

ROUTING	
ACTION COPY:	MR. DEMUTH
INFORMATION COPY:	
DECODED BY:	

TEXT:

9 FOR DEMUTH

WOULD BE GRATEFUL YOUR CABLE SOON AS POSSIBLE ABOUT NEW
DEVELOPMENTS OFFICIALS MEETING IDA REPLENISHMENT FOR
COMMUNICATION TO COMMITTEE THREE REGARDS

KARASZ

MR. DEMUTH TELEPHONED DURING WEEKEND

MT

ack. Cable Feb 21/68

INCOMING CABLE

ROUTING

DATE AND TIME OF CABLE: FEBRUARY 26, 1968 1350

ACTION: MR. DEWITT

TO: NEW YORK

INFORMATION

FROM: NEW YORK

DELETED BY:

DATE:

FOR THE

AND BE ADVISED THAT THE FOLLOWING INFORMATION IS BEING FURNISHED TO YOU

FOR THE PURPOSE OF THE FOLLOWING INFORMATION IS BEING FURNISHED TO YOU

FOR THE PURPOSE OF THE FOLLOWING INFORMATION IS BEING FURNISHED TO YOU

REMARKS

THE FOLLOWING INFORMATION IS BEING FURNISHED TO YOU

FEB 19 8 31 AM 1968

RECEIVED

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: INTBAFRAD
NEW DELHI

DATE: FEBRUARY 16 1968

CLASS OF
SERVICE: LT

RCH

COUNTRY: INDIA

TEXT: ~~NO.~~ 8 FOR KARASZ
Cable No.:

WOULD APPRECIATE OPINION OF YOURSELF AND SARMA ON WHEN BEST FOR
ME TO COME TO UNCTAD (STOP) AT PRESENT AM PLANNING TO COME ABOUT
FEBRUARY 28 (STOP) WILL FINALIZE PLANS AFTER HEARING FROM YOU AND
TALKING TO MR. WOODS WHO IS RETURNING THIS WEEKEND REGARDS

FRIEDMAN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Irving S. Friedman
DEPT. Office of the President

SIGNATURE *Ly Friedman*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

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(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *ha 8*

acc. Feb. 20/68

ORIGINAL (FILE COPY)

Checked for Discrepancy

8

For use by Liaison Division

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

DEPT

Machine

GENERAL FILES SECTION

NAME

FEB 16 11 43 AM 1969

MESSAGE AUTHORIZED BY

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NOT TO BE DECLASSIFIED

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LETTERS TO MR. MOORE WHO IS DEPARTING THIS WEEKEND RECVDS
REMOVAL 39 (200) WITH EIGHTY-ONE YEARS OLD NEW YORK AND
HE TO COME TO NEW YORK (200) AT EIGHTY-ONE YEARS OLD TO COME ABOARD

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Copy No:

TEXT

8 FOR KUBARK

COMMITTEE

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TO:

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DATE

REMOVAL 10 1968

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ASSOCIATION

INTERNATIONAL DELEGATION

(5-91)

FORM NO. 73

RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR

COOPERATION

INTERNATIONAL FINANCE

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION
Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:
4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE
Telephone - 553-2510
c/o Ashoka Hotel, New Delhi, India



Letter No. 23

February 16, 1968

Dear Dick:

I enclose a further summary prepared by Patrick de Fontenay on main points in opening statements made by heads of delegations at the plenary meeting.

With best wishes,

Sincerely yours,

A handwritten signature in blue ink, appearing to read "A. Karasz".

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

100-110-115-100

1968 FEB 19 PM 2:40

Washington, D.C.

Reconstruction and Development
International Bank for
Director, Development Services Department
Mr. Richard H. Smith

Arthur Karsas

AK

Sincerely yours,

With best wishes,

at the biennial meeting.

on main points in opening statements made by heads of delegations

I enclose a further summary prepared by Patrick de Fontenay
Best Dick:

Letter No. 53

Replied to 1968

c/o Varos Hotel, New Delhi, India
Telephone - 223-3210

* Valérie Dénia, Paris (FR) - FRANCE
EUROPEAN OFFICE:

CH. VITTON - INDELS BYKIS

INTERNATIONAL DELEGATION ASSOCIATION

CH. VITTON - INDELS BYKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C., U.S.A.
Headquarters:

Handwritten signature

1968 FEB 19

Memorandum to Files.

February 14, 1968.

From: Patrick de Fontenay. *pf*

Main points in opening statements made by heads of delegations at
plenary meeting of UNCTAD II, New Delhi

The list of speakers in the general debate in the plenary meeting of UNCTAD II closed at 3.00 p.m. on February 12, 1968, with 44 more speakers inscribed. So far, all major donor countries with the exception of Denmark and South Africa have spoken. The following are the main points in the statements of the delegations which have already taken part in the debate.

I. Donor countries

In addition to the donor countries whose statements were reviewed in my memo of February 8, 1967, Australia, Belgium, Canada and Norway have spoken to date.

With respect to development assistance, Australia said that her aid expenditure had more than doubled over the past six years and was expected to increase by a further 14% in 1968. Canada had agreed to provide one-and-a-half tons of food grains under the International Grains Arrangement. In order to support the long-term objectives of national development plans, Canada had introduced a policy of forward commitments up to five years in countries in which it had major aid programmes. It also attached a high priority to the harmonization of the terms of aid and itself offered terms which more than met DAC and UN targets. Norway stated that it was prepared to try to reach agreement at the present session on the machinery for supplementary financing and to support any realistic effort to strengthen IDA. //

With respect to preferences for exports of manufactures and semi-manufactures from LDC's, Canada said that there was little point in encouraging growth in the LDC's while imposing barriers against their imports. Australia reported that it had introduced in 1966 a system of selective tariff preferences for manufactured and semi-manufactured products exported by LDC's. In 1967, the total of annual quotas under the system had been increased by 50%, and from July 1, 1968, more products would be added to the preference list. Norway stated that it would put speedily into effect tariff reductions on goods of special interest to LDC's. //

The only notable point in the Belgian statement was the sharpest criticism heard so far of the tone and content of the Algiers Charter.

(continued .. 2)

II. Developing Countries

The developing countries which have participated so far in the debate have generally elaborated on one point or another of the Algiers Charter under its three main headings: Commodity Problems and Policies; Expansion of Exports of Manufactures and Semi-Manufactures; and Development Financing. The following are a few points worthy of reporting either because they are additional to the Algiers Charter or because of their importance to the Bank.

(i) Multilateral development institutions

China and Morocco favoured an increase in the flow of development assistance preferably through international institutions such as the World Bank or IDA. India wished to commend the World Bank on the role which it had played in influencing and guiding international action. It also suggested "should we not recommend the minimum percentage of capital flows to be channelled through these agencies?" Tunisia thought that the already existing advisory groups of the IBRD could be improved if the developed countries represented in them could agree, after having thoroughly examined the development plan of the country concerned, to make commitments which might, if necessary, be modified in the light of the economic situation and export trends. The spokesman for ECLA (Mr. Quintana) said that he approved the proposals to transform IBRD into a Bank for developing countries.

(ii) Supplementary finance

The following countries expressed their support of the supplementary financing scheme: China, India, Nigeria, Philippines, Thailand, Tunisia, Uganda, Uruguay, Mexico and Yugoslavia. In addition, support was also expressed by the spokesmen for CIAP and ECLA.

(iii) Aid-tying

Iran, Pakistan and Yugoslavia proposed that the LDC's should be allowed to pay for their tied imports by tied exports. India suggested to relate repayment of tied loans to the increment in exports of the debtor country to the creditor country.

(iv) Buffer stock financing

Although most of the signatories of the Dakar Resolution have not yet spoken, Mauritania and Thailand supported the proposal for the prefinancing of buffer stocks by international financial institutions.

(v) New aid funds

Yugoslavia proposed the creation of a diversification fund from "existing bank resources" (in Committee Three, the Yugoslav representative explained that he meant World Bank resources). Israel and Mexico supported the creation of a multilateral interest equalization fund. India proposed the setting up of a fund the resources of which would be used to improve the marketing of natural products, like rubber, raise the technical efficiency of production, improve quality and provide for diversification of end uses.

(vi) Private Investment

Ghana, Indonesia, Philippines and Tunisia stressed the importance of encouraging private investment in the LDC's. Ghana, however, felt that such encouragement should be provided by the government of the entrepreneur.

III. Socialist countries

The Socialist countries generally spoke in favour of the elimination of restrictions on East-West trade and the admission of countries such as East Germany, North Korea, North Vietnam and Mainland China to UNCTAD. The USSR pledged to continue its policy of commodity imports and to purchase manufactures and semi-manufactures in repayment of credits extended to the LDC's. It was willing to conclude commodity stabilization agreements and to explore other forms of cooperation provided that the LDC's were ready to grant Socialist countries conditions no less favourable than those granted to other countries.

IV. International institutions

(i) The Secretary-General of the United Nations, U Thant, said that the lack of progress since UNCTAD I was particularly difficult to accept in the light of the success which had attended the negotiations connected with the Kennedy Round and the international monetary reform. The reason for this failure was that the developed world continued to regard its economic relationships with the LDC's as a one-sided affair in which concessions are granted and not received, although, as he showed, it could be said that both in the fields of trade and aid the developed countries benefited from their cooperation.

(ii) The United Nations Under-Secretary for Economic Affairs, Mr. Phillippe de Seynes, spoke about the sharing of technology and the role of multi-national enterprises.

(iii) The Director-General of FAO discussed mainly the World Food Problem. In his view, the basic solution lay in accelerating food and agriculture production in the LDC's. To this end the developing countries needed more help from the economically advanced

countries both in the form of economic aid, including aid in the form of agricultural production requisites, and in the form of wider trading opportunities. While efforts should, therefore, be continued to prepare and negotiate more commodity agreements, alternatives should also be explored. "This Conference itself will examine in depth some proposals made for general schemes to offset unforeseen shortfalls in export earnings. Consideration should also be given to the possibility of applying financial arrangements to individual commodities. FAO has examined the various advantages and drawbacks of what might be called a system of international deficiency payments, financed through import levies or export taxes, and the Study Group on Oilseeds, Oils and Fats is now considering a proposal of this kind for vegetable oils and oilseeds. The great advantage of "such an approach lies in its applicability to commodities for which traditional commodity arrangements are not suited." In the interim period, food aid continues to be required.

(iv) MF. Coomaraswamy, of UNDP, described the work of that organisation and concluded thus : "A recent study by the Administrator has shown that the anticipated needs of the developing countries for assistance from the Programme in all fields during the next three years are far in excess of the rate of growth needed to bring the financial resources of the Programme to the level of \$350 million by 1970. Unfortunately, even that rate of growth is not yet in sight; the pledges to our Programme for 1968, totalling some \$180 million, are only slightly more than one half of the target figure for 1970."

(v) OECD. The statement by Mr. Kristensen, Secretary-General, was circulated. The statement stresses the achievements of OECD and DAC, the agreement on a system of preferences, the "substantial increase in the flow of aid last year", the increase in the flow of private investment in recent years, and discusses more at length the World food problem.

(vi) EEC. Mr. Martino offered to the LDC's the example of the EEC as to what economic integration could achieve and stated that the EEC stood ready to share with the LDC's the benefits of their experience.

(vii) IDB. Mr. Herrera emphasized regional cooperation which, he said had been sought as a solution to the constant deterioration of the external sector of the Latin American economy. He also mentioned that some of the obstacles with which organizations like IDB had to contend in the financial markets of certain industrialized countries should be removed, and that "the difficulty of promoting development at interest rates of 7% and 8% and even higher gave new force to proposals such as that made by Mr. Horowitz, Governor of the Bank of Israel."

cc: Mr. Karasz (2)
cc: Mr. N. A. ForSarma

N. A. ForSarma

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi,
India



Letter No. 22

February 16, 1968

Dear Dick:

The leaders of the Conference are more and more interested in the form the conclusions of the Conference should take. I understand that there are three schools of thought on this subject:

- (a) A set of recommendations as in UNCTAD I, in 1964;
- (b) An agreed statement;
- (c) A document including both (a) and (b).

The latter might be the most likely solution. I am told that Stanovnik is already working on a text for such a "Delhi Declaration". It would contain deadlines for the settlement of certain matters like the Agreement on Preferences, on Supplementary Finance, etc.

The Conference is expected to end on Monday, March 25. I have heard unconfirmed rumours that if things do not go well the end of the Conference might be postponed by 10 or 15 days. I repeat this is entirely unconfirmed gossip, and I do not think it is correct.

With best regards,

Yours sincerely,

A handwritten signature in blue ink, appearing to read "A. Karasz".

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTERBANK PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

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February 16, 1968

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Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

DECLASS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

JUN 24 2024

WBG ARCHIVES

Confidential

EUROPEAN OFFICE:
4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi,
India

DECLASS

Letter No. 21

JUN 24 2024

WBG ARCHIVES

February 16, 1968

Dear Dick:

The delegations of the developed nations do not seem to be clear on their own intentions and/or the instructions they should receive from their governments. Examples of this are the delegations of Germany and Italy.

On my question to the Germans of what they thought about the declaration made by Schiller at the plenary meeting, they answered that the statement was prepared entirely by the Minister himself without discussing it with his own delegation. In short, they gave me the feeling that the statement was more the personal opinion of the Minister and much less an official position taken by the German Government.

The same seems to be the case on Italy. You may remember that Under-Secretary Zagari mentioned IDA as a possible institution for the agency of SFM. I brought it up the other day with Fracassi who is now taking care of the Italian delegation. He said that Zagari included this remark in his statement "just to be nice", but has never cleared it with the Government in Rome.

In short, the Ministers want to be "nice" and thereafter leave the job and the problems to their civil servants who have to stay at the Conference and look for solutions.

With kind regards,

Sincerely yours,

Arthur

Arthur Karasz

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

Mr. Conold



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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTERBANK PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ENNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi,
India

DECLASSIFIED

JUN 24 2024

WBG ARCHIVES

WBG ARCHIVES
JUN 24 2024

Letter No. 21

February 16, 1968

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With kind regards,

Sincerely yours,

Arthur Karasz

RECEIVED IN 2:40

Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.