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THE WORLD BANK

Washington, D.C.

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The World Bank

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series 5540


Irving S. Friedman Chron. File

1967

(2)



The World Bank Group
Archives



1598701

R2000-036 Other # 2 Box # 210171B
Irving S. Friedman - Chronological File - 1967 Correspondence - Volume 2

DECLASSIFIED
WBG Archives

FRIEDMAN
RAPHALOTEL
PARIS

August 31, 1967

Full Rate

FRANCE

No.4

GRANDDAUGHTER MEGAN HAYDEN ARRIVED ELEVEN TWENTYTWO TODAY GEORGE
WASHINGTON HOSPITAL WEIGHT SEVEN POUNDS SIX OUNCES STOP MOTHER
AND DAUGHTER FINE CONGRATULATIONS

WATSON

Ruby G. Watson
Secretary to Irving S. Friedman
Office of the President

FRIEDMAN
RAPHALOTEL
PARIS

August 29, 1967

Full Rate

FRANCE

No.3

CHADENET IN WASHINGTON NO TRAVEL PLANS STOP NESPOULOUS NEUVILLE ABOARD
LINER FRANCE DOCKING NEW YORK MORNING AUGUST THIRTY STOP MRS. CHAMBERS
FINE WILL MEET DULLES

WATSON

Ruby G. Watson
Secretary to Irving S. Friedman
Office of the President

FRIEDMAN
RAPHALOTEL
PARIS

August 28, 1967

L.T.

FRANCE

No.2

CABLE FROM WILFRIED GUTH READS WOULD BE DELIGHTED TO SEE YOU AT KOENIGSTEIN
ON SEPTEMBER TWO OR AFTER COMPLETION OF YOUR BONN TALKS STOP PLEASE GIVE
DETAILED PROGRAM BEST REGARDS

WATSON

Ruby G. Watson
Secretary to Irving S. Friedman
Office of the President

FRIEDMAN
INTRAFRAD

August 22, 1967

L.T.

LONDON

EDELMANS MEMO SUMMARY PAGE FIVE NIGERIA AGGREGATE SHOULD READ 630 NOT
350 THUS CHANGING FIGURES PAGE TWO SECOND LINE FROM 1055 TO 1325 AND
578 TO 848 REGARDS

WATSON

Ruby G. Watson
Secretary to Irving S. Friedman
Office of the President

August 21 1967

Dear Miss Carey,

I am sorry for the delay in letting you know that Mr. Friedman will be glad to update the charts for use with his article. He has been out of the country for some time, but the above was discussed by phone.

The charts will be sent to you shortly.

Yours sincerely,

(Daphne McGregor)
Secretary to Mr. Friedman

Miss Nora Carey
Picture Editor
Britannica Book of the Year
425 North Michigan Avenue
Chicago, Ill. 60611

August 21 1967

Dear Mr. Pawley,

Mr. Friedman is presently out of the country but I was able to communicate your invitation for him to participate in the Advisory Panel on the Indicative World Plan meeting in October.

If his calendar permits he will be pleased to attend.

Yours sincerely,

(Daphne McGregor)
Secretary to Mr. Friedman

Mr. W.H. Pawley
Director
Indicative World Plan
Food and Agriculture Organization
of the United Nations
via delle Terme di Caracalla
Rome, Italy.

Misc.
(original to Files)

AUG 21 1967

Dear Professor Vickery,

Thank you for your letter of June 28, 1967. I have been away from the office on business and vacation for some weeks, which explains the delay in writing to you.

Regarding your query about material from the Bank, I am enclosing a copy of our Study on Supplementary Financial Measures along with some additional explanatory papers we did on this subject for the Trade and Development Board of the United Nations. One of our staff members, Mr. John A. King, is shortly publishing a book entitled "Appraisal of Economic Development Projects: Cases and Principles from the Experience of the World Bank", which contains most of the project appraisal material cleared for general distribution. This is expected to be in our hands by November this year; we shall be very glad to send you a copy.

I am also sending you under separate cover, on a personal and confidential basis, copies of our latest economic reports on Ceylon, Pakistan and Thailand. I hope these are of some use. We do not have a recent report on Indonesia; our report on Nigeria was written before the change in government and, events permitting, we soon hope to take another look at the Nigerian economy. I am also enclosing a list of our publications; if any of these are of interest, I would be glad to send them to you.

We have in the past, under the auspices of our Economic Development Institute, distributed economics libraries to a large number of developing countries. I gather that this has now been discontinued, and we are only sending supplements to those who have been presented libraries in the past. I am, however, told that almost all the developing countries were covered under this program, and eight or nine centers in Pakistan alone have received these libraries.

I read your proposal for an Educational Assistance Project with great interest. We ourselves do not have any special experience in this field, so I am unable to make any specific comments on this except to say that the idea sounds good. The Rockefeller Foundation, the Ford Foundation, the M.I.T., Harvard and Chicago, have the most experience in this field, and I see that you have already talked to the people there.

With best regards,

Yours sincerely,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Professor W.E. Vickery
The University of Western Ontario
London, Canada.

August 15 1967

Mrs. Eliason - Room 461.

Doris,

When Mr. John A King's book "Appraisal
of Economic Development Projects: Cases and
Principles from the Experience of the World
Bank" is published, in November I understand,
could a copy be sent to:

Professor W.E. Vickery
Department of Economics
The University of Western Ontario
London, Ontario
Canada.

Thanks very much.

August 21 1967

Mr. Lars Lind:

Lars:

Do you see any reason why this
should not go forward?

Irving S. Friedman

August 21 1967

Dear Miss Marshall,

As promised, I am enclosing the typescript of my article titled "Development and the World Bank" for publication in the "World Trade". I hope it reaches you in time. I am also enclosing a brief biographical sketch.

I am having three charts prepared on per capita income levels in the developed and developing countries and flows of financial aid, which your readers might find interesting. I shall mail these to you in a couple of days.

With best wishes for the success of your forthcoming volume,

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Miss A.S. Marshall
Associate Editor
World Trade Magazine
20 G, Sleater Road,
Bombay 7
India

August 21 1967

Dear Mr. Eckenstein,

I have just returned to the office today and wish to thank you for the document TD/B/137 Trade Expansion, Economic Cooperation and Integration among Developing Countries, which I am looking forward to reading.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. Christopher Eckenstein
Special Adviser on Policy Matters to
the Secretary-General of UNCTAD
UNCTAD
Palais des Nations
Geneva 10,
Switzerland

DECLASSIFIED

AUG 16 2023

~~July~~
August 21 1967

PERSONAL

WBG ARCHIVES

Dear Gengo,

I have just returned to the office this morning and am due to leave tomorrow for Europe. I read your letter with great interest. I am glad that Mrs. Suzuki feels better and is now able to get around somewhat.

I am looking forward to seeing you at the Annual Meeting and will tell Woods that you appreciate his invitation and that you are looking forward to seeing him at the meeting.

We are in the midst of the IDA negotiations. We of course have difficulties but it is too early to describe the outcome. There have been numerous delays in getting discussions at the Cabinet level with the Europeans, but this has been finally arranged for this month and early September.

I was of course, also very interested in your comments about the attitude towards Woods. As you know I feel he has done a remarkable job in trying to broaden the contribution that the World Bank Group can make to the process of development and the achievement of international political and social stability. He has been trying to do this in obviously a very difficult period when even some of the rich countries have been able to plead what seemed to them genuine problems such as balance of payments, budgetary problems and disillusionment with all foreign aid. However, he has based his positions on careful analysis and I think it is most significant that in all our talks with the Europeans as well as elsewhere, no one is challenging the validity of his \$1 billion or the ability of the World Bank Group to put this to effective use for high priority purposes. I feel that some of his innovations, like the response to the UNCTAD in the form of the Supplementary Finance Scheme, the expansion of the role of economic analysis and economic policy which in turn makes it possible for the Bank to give substantive leadership in Consultative Groups and Consortia - the formation of the Economic Policy Committee as a practical means of achieving performance criteria as well as an objective analysis of creditworthiness, the better relations with the Fund, the increased activities of the IFC, the push to improve agricultural production to increase investments in fertilizer plans, and in other ways are all contributions which will last for a long time. I think, in any case, he will be with the Bank until the end of 1968 as a minimum. Needless to say to you, I have been giving real thought to whether I wanted to stay in the Bank if he were to go. I don't know how it was like under Mr. Black so anything I say is not by way of comparison.

Under Mr. Woods's Presidency, however, the Bank has been a place where the problems of the world are seriously considered and efforts made to find practical solutions to very difficult problems in a very disheartening environment. Woods himself has been receptive to new

ideas and new approaches, at the same time trying to maintain the reputation of the Bank to fulfill its function as a bridge between private capital and investment in the LDCs. It would have been most easy during this period of time to do much less with the excuse that international circumstances were simply too unfavorable to go ahead. In my own opinion Woods has captained the Bank like the battleship in a storm where you keep your course which you have determined on the basis of facts and analysis and not allow yourself to be overwhelmed by the immediate circumstances, recognizing that storms do come to an end and that if you are willing to take some buffeting you can make progress become your objective during the storm.

For myself my present view is -- and only for your information -- that I don't think I would want to stay in the Bank after he left. The only qualifications to that is that if perchance his successor were to be someone whom I knew well and felt would give the same kind of drive and leadership to the Bank. I find that as time goes by I get increasingly reluctant to waste time when working although increasingly willing to spend time in pure leisure and enjoyment of culture.

You asked in your letter what would be the main features of the coming Annual Meeting. I think two of the main things are bound to be the IDA replenishment and the need of access to capital markets for the World Bank. It seems obvious that the less developed world must be given more hope for the future or we will be facing a period of disintegration and chaos. For me I find it quickly boring to think of having to make these points over and over again, but clearly the preoccupation of the world with its own local problems make it most difficult for them to see that local problems cannot be solved without simultaneous attention to the broader environment. It is like our cities in the United States where we simply try to ignore the negro problem and go ahead and concentrate on other problems and then find that suddenly the negro problem has become the dominant local preoccupation at the expense of other things that had been tackled for some time.

As you know, for many many years I have worried that the problem of relations with the LDCs would in the end become a racial question because of the circumstance that nearly all of the developed countries are also countries in which the white race predominate. I still feel that Japan will be of key importance as holding out the promise not only that an Asian country can achieve material success in the modern sense of the world but also that with this material success goes a realization that its destiny lies in relation with the whole world and not of just one area or group of people. Even if in a transition period it concentrates on a particular area, so I do hope you will continue to be the spokesman for an enlightened foreign economic policy in Japan. There are very few effective spokesmen for this in any country. If I can help in any way, professionally or personally, please call on me.

As you may know our boy John (aged 17) is in Japan staying with a family in Osaka. He has been enjoying the experience very much and is due to return early in September. He seems to have adapted himself well to the Japanese way of life and from what I gather the family with whom he is staying has been most hospitable really made him feel like one of their own.

I was glad to learn that Miss McGregor had in the meantime sent some material to you and I do hope it arrived in time to be of use.

With warmest regards to you and your wife,

Sincerely,

Irving S. Friedman

Mr. Gengo Suzuki
The Bank of Japan
Tokyo
Japan

August 21, 1967

LONDON OFFICE: Nora Reade or Janet Cordery Office Tele. 930-3886
(New Zealand House, Haymarket, London, S.W.1)

Visit in office (or dinner at Claridges or lunch, if invited)

H.M. Treasury:
(Gt. George St.) Mr. W. Armstrong
Sir Denis Rickett
Sam Goldman
Frank Figgueren
Alec Cairncross
F.J. Atkinson
L.P. Thompson-McCausland

Economic Affairs: Douglas Allen

Bank of England: Sir Leslie K. O'Brien, Governor
Sir Maurice Parsons, Deputy Governor
Mr. W. Maurice Allen
Mr. Jeremy Morse
Mr. J.A. Kirbyshire

Prime Minister's
Office: Mr. Thomas Balogh
Mr. Allen Dudley

O.D.M.: Sir Andrew Cohen
Mr. Geoffrey Wilson

Outside: Schoenfeld (War on Poverty)
William Clark (O.D.I.)
Bird (Economist)
Sir Eric Roll (Min. of Economic Affairs)
Sir John Stevens (if in London)

My guests, if have time after making appointments:

Wednesday dinner (August 23): Mr. D.A.V. Allen and wife (Douglas & Sybil)
(at Claridges) Dept. of Economic Affairs
Sir Dennis Rickett
Mr. Thomas Balogh
Mr. Cairncross

LONDON MEETING - MR. WOODS (33 Rua Castelo Branco, Peco de Arcos, Portugal
Tel. 242-0967 CABLE ADDRESS: FORWOODS PACODEARCOS

6 p.m. Friday, August 25 -- Chancellor of Exchequer

August 21, 1967

PARIS OFFICE:
(4 Avenue d'Iena, Paris 16^e)

George Wishart

Office Tele. 553-2510

DONALD J. MCGREW: U.S. Treasury Representative, American Embassy, Paris
Tele. ANjou 7-400 x 7238

PARIS MEETING - MR. WOODS

Tuesday, August 29 -- Minister Debre -- 6.30 p.m.

To see: Claude Bouselet
Jean Pierre Brure

To get: Documentation of last DAC meeting from Mr. Wishart.

August 21, 1967

GERMANY

BONN MEETING - MR. WOODS

Monday, September 4 -- Minister Schiller

(Schellheim(?) - Hannamen (under Schellheim) -- Durre, In charge of
domestic capital markets)

Wilfred Guth
Kreditanstalt fur Wiederaufbau
Frankfurt-Main
Lindenstrasse 27, Germany

HOME: Fasanengarten 15
Koenigstein in Taunus
Frankfurt a Main, Germany

GENEVA:

JO SAXE -- attending UNCTAD meeting -- contact through U.S. Mission Tele. 31-8000

August 21, 1967

Dear Ambassador Shimoda:

Thank you very much for sending me a copy of a photograph taken at your Embassy. It will be treasured with my many other mementoes of my relations with Japan and the Japanese people. I do hope we will soon have an occasion of seeing each other.

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

The Ambassador of Japan
Embassy of Japan
2520 Massachusetts Avenue, N.W.
Washington, 8. D.C.

PERSONAL

DECLASSIFIED

AUG 16 2023

WBG ARCHIVES

August 21, 1967

Dear Lucius:

I have been away from the office and came in this morning and found your letter of August 2 on my desk. I will, of course, make sure that Dr. Ahluwalia gets to see the people in the Bank he ought to see if he gets in touch with me.

As you may have heard I have been in London from time to time, but when I have inquired about you, you have not been available - I presume you have been trying to keep from drowning in the sea of liquidity! I expect to come to London tomorrow and will again be inquiring whether you are there. Edna is coming with me and we plan to be in London from Tuesday night to Saturday. I rather hope therefore that I will be talking to you before you receive this letter but, if not, I too am looking forward to seeing you in Rio.

Sincerely yours,

Irving S. Friedman

Mr. L.P. Thompson-McCausland
Treasury Chambers
Great George Street
LONDON, S.W.1

1970
1973 Archived
August 21, 1967

Dear Nat:

Thank you for your kind comments on my talk to the Canadian Political Science Association; it seems to have been well received and, of course, this is pleasing. I have become increasingly concerned as I work on in the Bank and learn more about this field of development finance with the need for hard headed analytical thinking based on known or ascertainable facts. I am rather proud of the economic staff we have put together in the World Bank and I hope that they will help put the international discussion of the problems of development finance on a firmer analytical basis, as well as contribute to decision making in the Bank Group itself. For myself, I have been devoting a great deal of time lately to the replenishment of IDA.

I do hope that I will have the opportunity to be in New York in the not too distant future and that we might find time for lunch or an evening together, as you suggest.

With warm regards,

Sincerely,

Irving S. Friedman

Mr. Nathaniel Samuels
Kuhn, Loeb & Co.
Forty Wall Street
New York, N.Y. 10005

PERSONAL

DECLASSIFIED

August 21, 1967

AUG 16 2023

Dear Henry:

WBG ARCHIVES

I have been away and have just returned to find your letter of August 3. I will put my mind to work to see if I can find someone who could be attached to the King's economic adviser.

As for coming to Morocco at some time, I would be happy to do so, but at the moment I am completely swamped with IDA replenishment, the forthcoming Governors' Conference and routine affairs, but I am taking this as a standing invitation and will write to you further when my own plans are clearer.

I gather from your letter that you do not plan to be in the States until November or December, but let us, at least, plan to get together at that time either in New York or in Washington, depending where you will be. In the meantime, I will try to get together a list of books which could be recommended to the King and GOM on development philosophy and techniques, and will write to you about it.

This has been a most hectic time for me because of the IDA replenishment which is proving to be long drawn out and beset with difficulties, however, I hope that the most active stage will be through fairly soon, at least before the Governors' Conference. As a result of these discussions I have virtually been commuting between Washington and London and, after one day's stay in Washington, I am returning to London tomorrow and will be back about September 7 or 8, and hope to be able to write to you again then. (Incidentally, if the King wants an old broken down economic adviser, please let me know!)

We would love to hear more about Lena and the children. Please give them all our warmest regards,

Yours,

Irving S. Friedman

Mr. Henry J. Tasca
Embassy of the United States
of America
Rabat, Morocco

NORA REEDS
7 LINNELL CLOSE
LONDON NW 11

AUGUST 18 1967

LT

ENGLAND

182 FOR CORDERY

WOULD APPRECIATE YOUR TRYING TO TELEPHONE ME OVER WEEKEND AT MY HOME
AREA CODE 301-365-5023 OR ELSE EARLIEST POSSIBLE MONDAY MORNING
WASHINGTON TIME (STOP) WISH TO TALK TO YOU ABOUT COMING VISIT TO
LONDON ON TUESDAY EVENING TO SCHEDULE POSSIBLE APPOINTMENTS (STOP)
THANKS

FRIEDMAN

Irving S. Friedman

Office of the President

WILFRED GUTH
KREDITANSTALT FUR WIEDERAUFBAU
FRANKFURT-MAIN
LINDENSTRASSE 27

AUGUST 17 1967

FULL RATE

GERMANY

PLAN TO BE IN BONN SEPTEMBER 2 STAYING AT KONIGSHOF (STOP) ANY
CHANCE OF SEEING YOU AND FAMILY WARM REGARDS

IRVING FRIEDMAN
INTBAFRAD

Irving S. Friedman
Office of the President

August 16 1967

Dear Mr. Suzuki,

Mr. Friedman is on vacation until August 21 so will not see your letter until Monday next.

In view of your urgent need for periodicals, Mr. Jalan collected the enclosed published material on Bank, IDA and IFC operations and policies, and some policy statements Mr. Woods has made in the past few years.

I do hope these are satisfactory.

Yours sincerely,

(Daphne McGregor
Secretary to Mr. Friedman

Mr. Gengo Suzuki
The Bank of Japan
Tokyo
Japan

Material sent airmail:

IBRD - Statement of Loans, June 30 1967))
IDA - Statement of Development Credits, June 30 1967) from Treasurer's Dept.
IFC - Facts about IFC, June 30 1967)
IBRD/IDA - Facts about, July 31 1967) Information Dept.
World Bank Atlas of Per Capita Product & Population
The Role of National Development Finance Companies in Industrial Development --
(Information Paper prepared by World Bank Group for UN Symposium on Industrial Develop.)
IFC -- Rosen's speech Chicago May 10 1967 -- Financing Fertilizer Production in Dev. Coun
IFS -- General Policies
The World Bank Group and Japan - January 1967
Irving S. Friedman -- Canadian June 7 address - Int'l Problems of Economic Development
WOODS SPEECHES: Gabriel Silver address, April 13, 1967, DAC Ministerial Meeting 7/20/66
Article in Foreign Affairs, January 1966, Governors' Mtg., Sept. 27 & Oct. 1 1965,
DAC Statement, Paris, July 22 1965, ECOSOC Statement New York March 26 1965, Governors'
Meeting Tokyo, September 7 1964, UNCTAD address, Geneva March 25 1964.

INTBAFRAD
PARIS

AUGUST 16 ¹⁹⁶⁷ ~~1967~~

LT

FRANCE

NO. 614

ATTENTION KARASZ. ARRIVING PARIS AIR FRANCE 809 FROM LONDON
MONDAY 28TH (STOP) TRAVEL OFFICE WILL ADVISE YOU CONFIRMATION (STOP)
WOULD GREATLY APPRECIATE YOUR ASSISTANCE FOR MY SON KENNETH ARRIVING
PARIS THIS SUNDAY (STOP) HAVE TOLD HIM TO CONTACT YOU AT BANK OFFICE
OR WHOMEVER YOU DESIGNATE (STOP) MANY THANKS AND REGARDS

FRIEDMAN

Irving S. Friedman

The Economic Adviser to the President

Office of the President

August 14 1967

Mrs. Eliason - 461.

Doris,

Could you send two copies of Mr. Friedman's
June 7 Canadian Political Science speech to
each of the following:

Mr. Franz B. Wolf
Robert Nathan Associates
1218 16th Street NW
Washington DC 20036

Miss Simone Clemhout
Lecturer Associate
University of California
Berkeley
California 94720

Thanks very much.

August 9 1967

Dear Mr. Kahn,

Thank you for your request for a similar article by Mr. Friedman on "International Problems of Economic Development" for publication in The Logistics Review.

Mr. Friedman is at present on vacation, but expected back the latter part of August. Meantime, what is your deadline, and the approximate number of words required?

Thank you.

Yours sincerely,

Daphne McGregor
(Secretary to Mr. Friedman)

Mr. Louis B. Kahn
Editor
The Logistics Review
573 The Alameda
Berkeley
California 94707

Mr. Konrad Busse

August 3 1967

Daphne McGregor

Mr. Stanley Johnson

During a telephone conversation with Mr. Friedman this morning, (who is absent on vacation), I read portions of Mr. Johnson's letter to him requesting consideration of releasing him for a possible term of duty in Abidjan.

Mr. Friedman's response was for Mr. Johnson to consider himself released.

Mr. Cornelius Both

August 1 1967

Daphne McGregor

Society for International Development Luncheon August 2

Due to Mr. Friedman's unavoidable absence from Washington he has requested Mr. John Adler to host tomorrow's luncheon for the SID Council. NRC ARCHIVE

PERSONAL

DECLASSIFIED

July 28, 1967

AUG 16 2023

WBG ARCHIVES

Dear Takeshi:

The United States has approached us informally with a suggestion that the Bank consider convening a meeting of Ministers of Finance and Planning from Asian countries to discuss the economic and budgetary implications of family planning programs. My own reaction to this has been that, though the idea was perhaps a good one, in any case it may not be appropriate for the World Bank to sponsor a meeting which was essentially regional in character. The possibility of the Asian Development Bank organizing a conference along these lines was therefore mentioned, and I promised the U.S. officials who came to see me that I would write to you on a personal basis about this. What do you think?

All this is, of course, very preliminary, and we can perhaps further pursue it when we see each other in Rio. I had been away in Europe for the last two weeks, which explains why I did not write to you earlier on this matter.

Looking forward to seeing you soon.

Sincerely yours,

Irving S. Friedman

Mr. Takeshi Watanabe
President
Asian Development Bank
P.O. Box 126
Commercial Center
Makati
Rizal, Philippines

Mr. Andrew M. Kamarck

July 28, 1967

Irving S. Friedman

I was astonished to find no one I recognized was present from the Economics Department for most of the time when IDA was discussed this afternoon. It was probably the most important Bank Board discussion in years.

I'm sure that you will agree that your Department is keenly interested and concerned with these matters and that you appreciate the spirit in which these comments are made.

Mr. Richard H. Demuth

July 28, 1967

Irving S. Friedman

Trade and Development Board Meeting on "Trade Expansion, Economic Cooperation and Integration Among Developing Countries"

I would go along with Kamarck's recommendation that we should make a statement as requested by Prebisch in the form of using my letter of January 19, 1967, and that it be delivered by our representative.

I am giving some thought also to whether Sarma ought to be at this meeting. This would depend on whether supplementary finance was, one way or another, being discussed or considered. May I leave it that if we are informed that supplementary finance will be a subject of formal or informal discussion, then Sarma might attend for that purpose.

cc: Mr. Kamarck
Mr. Sarma

Mr. Hideo Suzuki

July 28, 1967

Irving S. Friedman

John is staying with a Dr. Masahiro Kariyana, whose address is:
260 9-chome Kandakitadori, Amagasaki City, Japan.

Thanks.

July 27, 1967

Dear Dr. Kariyana:

I was very happy to learn that my son John is staying with you and your family. He has described the very warm and kind reception you have given him. I am sure that he is most fortunate to be in your home.

I have had the good fortune of being able to visit your country many times and have always found its people most friendly and hospitable. I was very glad when John decided that he would like to live in Japan for a few months, as I knew that this would be a wonderful experience for him.

Perhaps you or members of your family may be visiting the United States at some time. I would be happy if we might have the opportunity to extend hospitality to you.

My wife joins me in sending you our warmest regards and thanks to you and your family for your kindness to our son.

Sincerely yours,

Irving S. Friedman

Dr. Masahiro Kariyana
260 9-chome Kandakitadori
Amagasaki City, Japan

July 28, 1967

Mr. Owen

1066

Please circulate to members of the
Economics Committee, with regular
distribution.

Irving S. Friedman

Economics Committee

July 28, 1967

Irving S. Friedman, Chairman

Meeting on General Policy Issues

The suggestion has been made by the Western Hemisphere Department that the Economic Committee should have meetings on general economic policy issues which are of major and current importance to the World Bank Group. I have discussed this with Economic Advisers of other departments and the Economics Department and there is general agreement with this suggestion.

It has also been generally agreed that while it would be useful to have papers on the matters to be discussed, they are not always necessary.

I have occasionally received suggestions from departments for subjects to be discussed in this way. I would appreciate at this point, however, your considering this and sending me suggestions which we might try to cover in the coming months.

July 28, 1967

Mr. Kamarck

800

Kalmanoff's suggestion seems all right to me. If agreeable to you, would you please discuss with Ugo.

Irving S. Friedman

Kalmanoff's memo of July 26 re Ziegler letter of July 10 on Suppliers' Credits - meeting on September 19-20.

July 27 1967

Dear Gene,

I was glad to get your letter of July 22. I hope you do not mind my discussing this with others in the Bank.

I gather that what you might be interested in is of weeks or months duration rather than years. Needless to say there are many ways in which you could be most helpful.

I will be writing to you again about this. I do hope we will be seeing each other soon.

Sincerely yours,

Irving S. Friedman

Mr. Eugene Staley
455 Seale Avenue
Palo Alto
California

to: Messrs. Kamarck & B. Bell (for comment)

Mr. John Adler

July 27 1967

Irving S. Friedman

Impact of Performance Criteria Decisions

I would appreciate having a brief paper reviewing the impact thus far of the performance criteria decisions of the Economic Committee on the lending operations of the Bank.

I would like to have something that I might conceivably be able to pass on to Mr. Woods.

cc: Mr. Kamarck
Mr. Owen

Miss M. Georgion

July 27 1967

Irving S. Friedman

Authorization for Cables and Telegrams

Would you please include in your list of authorization the names of both my secretaries, Miss Daphne McGregor, and Miss Ruby Watson, to sign cables and telegrams. Thank you.

July 27, 1967

Mr. Kamarck

800

If we have not chatted about this already,
I would appreciate having a chat with you as
to who in the Economics Department should be
the lower level group.

Irving S. Friedman

(Memo from Kamarck to Files of July 24 on
Middle East Work - Shoaib's meeting - two
groups - one thinking, the other task.)

July 27, 1967

Mr. Woods

1220

I believe you will find the attached interesting.

Irving S. Friedman

(Memo from Kalmanoff to Friedman/Kamarck of July 26 on Suppliers' Credits - alarming increase in DAC's figures - should this be mentioned at Annual Meeting (Everts of DAC is going to write to Mr. Woods on this.)

This memo has been passed to Mr. Graves -
message from Miss Schmitt 7/27

July 27, 1967

Mr. Kamarck

800

You will know that we have been queried by Mr. Woods' office on this. Could someone please prepare a further reply.

Thank you.

(Corres. between Prebisch and Woods on co-sponsoring meeting of experts on tourism, particularly letter from Woods of June 23)

Irving S. Friedman

Mrs. Doris R. Eliason

July 26, 1967

Irving S. Friedman's office

"International Problems of Economic Development"

Would you please send 30 copies of the address made by
Mr. Friedman to the Canadian Political Science Association in Ottawa
on June 7, to:

Mr. Thomas Mesmer
Assistant Deputy Director
Department of Economic Affairs
Pan American Union Building (Room 1001)
1725 Eye Street
Washington, D.C. 20006

Mr. George D. Woods

July 26, 1967

Irving S. Friedman

Selection Committee for Young Professional Group

I would like to suggest the following as possible members of the selection committee. I have tried to think of people who would add useful experience and background to this committee and am briefly indicating what this is.

Barend de Vries (Dutch) - unusual combination in Bank of successful experience as economist and loan officer. Also, was most successful in recruiting younger people to economic staff during last two years.

Bela Balassa (Hungarian until recently - came out of Hungary as result of revolution in 1956). Has been very much in the academic world until recently; his last position was as professor at Yale; is likely to return to academic world, at least part time. Has been very successful in Bank in applying himself to practical economic problems. Has keen appreciation of academic prerequisites for being a successful economist in Bank and very recent experience with the kind of graduate students which the academic world is now producing.

R.M. Sundrum (Burmese) - is a senior economist - has been working personally for me over two years. He is a very well thought of economist in academic circles everywhere, but most eminent in Asia. Also currently aware of the prerequisites for successful economic work in the World Bank and enthusiastic about encouraging younger people to make a career in the field of development because of his personal devotion to the field. One of the very best minds in the Bank.

Guy Orcutt (American) - very little experience in the Bank; his greatest asset would be his outstanding reputation with younger people in graduate schools all over the world. The very appearance of his name as a member of the selection committee would be a guarantee that we were applying the highest academic or scientific standards to judging the qualities of people trained in economics and related subjects. He also has a current knowledge of the kinds of graduates being produced in the United States and other countries. Because of his international reputation and connections he is probably more aware than Bela Balassa of the kind of graduates who are available for consideration.

Any one or two of the above would be fine additions to the committee. I have put Orcutt last because of the feeling that it might be important to have some solid Bank experience, otherwise, I think I would have put him second.

Mr. Mendels

July 25 1967

Irving S. Friedman

Mr. Julio Gonzales del Solar

Is there any chance of getting Julio Gonzales del Solar some status at the Rio Conference? Of course he would like to be invited as a guest but I did say it was difficult. I did say, however, that I would raise it.

*Fidel Avramovic
copy in MW)*

Mr. George D. Woods

July 25 1967

Irving S. Friedman

Travel Plans of Mr. Avramovic

Mr. Avramovic's travel plans schedule him to be away from Washington From July 31 to August 17.

I would not bother you with this ordinarily but he is somewhat concerned whether you might wish to have him here for assisting in the preparation of your address to the Governors' Conference. From July 31 to August 5 he is attending an UNCTAD Expert Meeting on Commodities in Geneva and would go on from there to Brazil for the discussions on his draft economic report.

I told him that I thought there would be ample opportunity for him to contribute to your address after he returned but that I would inform you of these plans in case you prefer that he cancel any part of them in order to stay here.

Mr. Woods

July 21 1967

Irving S. Friedman

IDA Replenishment - Balance of Payments Safeguards Scheme

The attached has been prepared after discussion with Mr. Knapp.

I have not tried to include anything about the question of the relation between the use of old IDA replenishment monies and new replenishment monies. I believe this can be handled rather simply and would be glad to explain how to you and Mr. Knapp.

cc: Mr. Knapp

A Proposal for Balance of Payments Safeguards for Contributions
to IDA Replenishment

1. The following outlines the main elements of a scheme for balance of payments safeguards for contributions to IDA replenishment:
- (a) Countries eligible under the scheme would be those which are in serious balance of payments difficulties so long as these difficulties last.
 - (b) A country with such serious balance of payments difficulties would be given an absolute assurance that during the first three years of the IDA replenishment there need be no negative impact on its balance of payments from IDA operations, if it so opts. This would be accomplished by simply not calling on such country to provide cash to IDA during these three years except to the extent of IDA domestic procurement; amounts in excess of identified procurement would be postponed until after the three year period.
 - (c) Requests for postponement will be made once a year at the beginning of the Bank's fiscal year. Countries which opt to postpone would have to renew their requests every four months (or every six months -- this time-period can be better determined after investigating the availability of the necessary balance of payments data). The I.M.F. would certify as to the factual accuracy of the data which the country would be requested to submit to substantiate the existence of a serious balance of payments difficulty.
 - (d) During the period of postponement other countries would be asked to accelerate their contributions on a pro rata basis. For example, assuming the United States asked for postponement, the U.K. would be asked to accelerate its encashment of notes by 13/60ths of the postponed amount (13/60ths because the U.K. contributes 13% of the entire IDA replenishment and all countries other than the United States contribute 60%). In the same way France would be requested to accelerate to the extent of about 8/60ths and Germany 10/60ths, etc.
 - (e) After the three-year postponement period referred to above, no country could request further postponement and all countries would be treated alike with respect to pro rata drawings.
 - (f) Arrangements for repaying postponed amounts would depend on the balance of payments situation of the postponing country after the end of the three-year period:
 - (1) If the postponing country were no longer in balance of payments difficulties after the end of the three-year

period, it would begin to repay the postponed amount immediately in the following way. The postponed amount would be treated as though it were from an additional contributor. Thus, drawings from the postponed amount would be called on a pro rata basis along with ordinary contributions of the postponing country. The effect of this would be to reduce sharply the amounts called on from non-postponing countries and to increase sharply the amounts called on from the postponing country. At the same time, however, the "repayment" of the postponed amount would be stretched out over the entire period during which disbursements under these credits took place.

- (11) If, however, the postponing country continues to be in balance of payments difficulty, the already postponed amount would be put at end of queue. This means that the postponed amount would not be called on until other contributions were exhausted. If the U.S. were the postponing country and exercised its option in all of the three years, the end of queue treatment would apply for a relatively short period of time. The contributions of other countries would soon be entirely used and both new and postponed U.S. contributions would be necessary to meet IDA disbursements. (Contributions of other countries from a subsequent replenishment could not be used to extend the length of the queue.)

2. Credits will be extended by IDA up to the total amount of the replenishment. This would mean, according to our estimate, that the amount of postponement for the U.S. would total about \$350 million, assuming the U.S. postponed every year for three years.

July 20, 1967

To: Mr. George D. Woods
From: Irving S. Friedman
Subject:

(In any memorandum to make clear what the words mean in the title - thus postponement of replenishment means postponement of new credits only, while postponement of "carry over" means postponement applied to disbursements under outstanding credits.)

The attached table tries to set forth the implications of treating disbursements under old IDA credits and disbursements under new IDA credits the same way once the regime of postponement, as suggested, comes into effect in 1968-69. On this assumption it becomes possible to say that there is no negative balance of payments impact on the U.S. balance of payments for the period of postponement, even from disbursements under credits from the previous replenishment. I am not addressing myself to the legal or political aspects of this matter.

Column 1 indicates the anticipated IDA drawings under the three fiscal years beginning in 1968-69, assuming no postponement. Thus, the United States is shown as providing 40% of the drawings. No further IBRD transfers are assumed.

In column 2, it is possible to see the effects in some refinement of what we have been talking about thus far, namely, postponement until no credits granted under the new replenishment. Thus, using the United States as an example again, postponement amounts to nearly \$350 million, while the U.K. accelerates by about \$75 million, France about \$50 million and Germany by nearly \$60 million.

In column 3, it is assumed that the postponement applies to drawings to meet disbursements under old credits as well as new ones. It will be noted for the United States, this means a further postponement of nearly \$130 million. As expected, because of this smaller amount, no country has

to accelerate by any large sum. The most important further accelerations would be the U.K. by about \$30 million, France about \$18 million, Sweden about \$15 million, Japan about \$13 million, Germany about \$12 million and Canada about \$12 million.

The attraction to the United States of a proposal for postponement, both with respect to old credits and new credits, would presumably be that the projected balance of payments effects is the elimination of the possibility that past credits will lead to negative impact on the U.S. balance of payments from IDA operations of \$35 million, \$25 million and \$20 million in 1968-69, 1969-70 and 1970-71, respectively. As indicated in our discussions, the United States may have other considerations, however, in judging the desirability of such a proposal from their point of view.

Under the system that this table is assuming, countries would pay into IDA from notes or upon their letters of credit in November 1968, November 1969 and November 1970. As disbursements fell due, existing notes or lines of credit would be encashed until exhausted and then the new notes or lines of credits called on. All disbursements would be treated the same, i.e. subject to the rule of postponement under the proposed scheme. There would be no distinction between old monies and new monies. The difference, of course, is that the amount of postponements is increased in the magnitudes indicated below. It may seem that the amounts of postponement which results from including the old credits is not as much as one might expect. This results from the fact that the postponement only applies to the three years beginning 1968-69. Presumably in 1971-72, countries would be back on the normal pro rata system and postponed funds would begin to be repaid unless the country was in balance of payments difficulties (see below). Because of the long stretch out of IDA credits in 1971-72 and after, there would still be disbursements

being made under credits from the first replenishment.

This year, namely 1967-68, the U.S. will have a negative impact from IDA operations of \$50 million. Presumably if so warranted this might be done by accelerated World Bank transfers, because, ^{de} pending on the IDA replenishment scheme, it would be difficult to begin acceleration of funds already given to IDA.

CLASSIFIED
JUL 21 1967
UNCLASSIFIED

Dear Chief Adebo,

I am sorry to learn from your letter of July 17 that you will be leaving the United States at the end of August.

Your guidance and leadership will be greatly missed in the United Nations and in our own SID. However, the offer of Vice Chancellor of the University of Ibadan seems challenging and I hope the new responsibilities prove gratifying.

Please accept my congratulations and best wishes.

Yours sincerely,

Irving S. Friedman

Mr. S.O. Adebo
Permanent Mission of Nigeria
to the United Nations
757 Third Avenue
New York, N.Y. 10017

DECLASSIFIED

AUG 16 2023

July 20, 1967

PERSONAL

WBG ARCHIVES

Dear Mrs. Schüller:

I was in Europe when my secretary cabled to me the most unfortunate news about Erwin. I need not say how utterly surprised and shocked I was.

I have not had the pleasure of meeting you, but Erwin talked a good deal about you and so I feel I can take the liberty of writing to you on this occasion. He and I had developed quite close friendly and professional relations. I found his ideas creative and inspiring -- above all he did not limit himself to the routine pool of ideas that are part of conventional wisdom. There are not many people, unfortunately, who have this talent for grappling practically with new problems by the application of new thoughts and approaches. I know that I speak for many who are both most appreciative of what he had accomplished and deeply stunned by the loss of the further contributions that he surely would have made. We had become good friends, and I found his advice on personal matters most helpful and assuring.

My wife joins me in sending our condolences. If in any way we can be of help to you or your family now, or in the future, we would feel ourselves fortunate to be called on.

Sincerely yours,

Irving S. Friedman

Mrs. Erwin Schüller
250 East 65 Street
New York, N.Y. 10021

Mr. Isaiah Frank

July 19, 1967

Irving S. Friedman

Joint Economic Committee

Thanks very much for your note. I would appreciate it if you would follow up this point made by Solomon before the Joint Economic Committee. As for working with State Department people in developing their revisions, my own first reaction is that we should be working with them if we think their revisions are worthwhile, but not get ourselves involved in hidden common authorship of schemes which we don't like.

You may be interested to know that the Inter-American Bank in ECOSOC has endorsed our Supplementary Finance proposal and instructed Santo Maria to pursue the matter.

I think the phraseology of Solomon's statement is kind of foreboding. I would have been much happier with the kind of language which the CED Research and Policy Committee used. May I again express my appreciation for your part in it?

cc: Mr. Sarma

Mr. Andrew M. Kamarek

July 19, 1967

Irving S. Friedman

U.N. Economic Commission for Europe

I paid an informal call on Mr. Velbit in Geneva and I outlined to him our economic work and organization of the economic staff. He expressed keen interest, but I must say seemed to be quite poorly informed of what we are doing and trying to accomplish in the economic field.

I spoke to him about our eagerness to have close cooperation in economic work to avoid duplication and to improve the quality of our work. He said he would be very happy to do this -- I suggested that when you, or others, were in the neighborhood you might wish to meet with his economic staff. Saunders is at present his chief economist; he was quite sure that there were many mutual friends on his staff and the staff of the Bank.

I am attaching a copy of the Economic Commission's recent publication on their studies, in case you have not seen it.

cc: Mr. Hoffman

Mr. Michael L. Hoffman

July 19, 1967

Irving S. Friedman

ECOSOC Meeting - July 11-14, 1967

I have brought back with me a number of documents from the ECOSOC Conference, which I assume you will be getting in due course along with others from Consolo.

I am sending them on to Kalmanoff, in case you want to get them from him.

cc: Mr. Kalmanoff

Mr. George D. Woods

July 19, 1967

Irving S. Friedman

The United Kingdom and IDA

In view of your forthcoming visit to the U.K. you may find useful a brief summary of my exchange of views in London, together with some thoughts on the U.K. During my visit to the U.K. I tried to arrange to see those individuals whom I knew must be playing a key role in policy making within the Government and with whom I could speak most frankly and freely because of past associations. I made clear that I did not want to disturb anyone who was taken up with the meeting of the Group of Ten Finance Ministers, which was going on. For this reason there were some I did not see whom I otherwise would have tried to see, particularly the Governor of the Bank of England, Morse, who is the Director in charge of external affairs for the Bank of England, Sir Dennis Rickett, and David Hubback of the U.K. Treasury -- all of whom I believe are important in deliberations in the U.K. on IDA replenishment. Attached hereto is the list of people whom I did see and with whom I had substantive discussions trying to improve my understanding of why the U.K. was not an enthusiastic supporter of the replenishment of IDA in the magnitudes proposed by you or the U.S. assuming balance of payments safeguards acceptable to the U.K. were worked out.

I have been puzzled by repeated reports that the U.K. was in favor of a substantial replenishment but the definition of a large replenishment was only something like 50% to 100% increase in IDA. My own puzzlement was based on the simple fact that the U.K. benefits both in its balance of payments and budgetary positions by the IDA operations. Therefore the talk that the budgetary situation was holding down the figure was not convincing. I could understand a U.K. concern with "burden sharing" since the smaller the share of the U.K. in the total contribution to IDA, the more balance of payments assistance and assistance to the U.K. from IDA operations. I could also understand their opposition to the U.S. balance of payments conditions as proposed by Secretary Fowler since they might well work in such a way as to decrease the assistance to the U.K. from IDA operations.

The essential reasons why the U.K. balance of payments is benefited by IDA operations is of course that the U.K. share of IDA procurement is considerably more than the U.K. contribution; the respective figures are about 13% and 21% respectively. Indeed the U.K. has been the largest source of procurement with IDA funds, even larger than the U.S. On the budgetary side most of IDA's operations have been for countries and projects in which the U.K. has keen interest in seeing financed. At the same time, all other countries combined put up six times as much as the U.K. Were it not for the IDA funds, the U.K. would be confronted with the question of whether it could afford to let the countries concerned go without financing or itself provide a substantial portion of the funds needed from its own bilateral budget. For example, at present the U.K. contributes about 10% to the India Consortium aid, but if IDA had to drop out or be relatively reduced, could the U.K. walk away from the Indian program or let it shrink, despite its minimal character, or would it find itself compelled from its own budget to provide a substantial section of what IDA could not do, thus losing the benefit of the 6 to 1 contribution of others?

July 19, 1967

I found these arguments were quite impressive with most. The officials in O.D.M., Sir Andrew Cohen and Wilson -- seemed quite aware of these arguments but I did not find this awareness reflected in the other top officials with whom I spoke. Indeed I found that in preparing the brief for the Chancellor to talk to Fowler (presumably Tuesday) on IDA replenishment, there was no awareness of your conversation with Fowler and the resulting change in the U.S. attitude on its proposals on balance of payments safeguards. The individuals who were doing the briefing for the Chancellor and sitting with him in the talks with Fowler, simply did not know about it. As a result of our talks a new briefing was prepared and given to the Chancellor of a more hopeful character and less scolding of the Secretary for being inflexible in his attitude on balance of payments conditions. When I got to O.D.M. I found that they were well aware of the message which John Stevens had sent reporting on your visit with Fowler, but it clearly had not reached the circles who were actually briefing the Chancellor.

Sir William Armstrong, who is the Permanent Secretary of the Treasury and the person in charge of these affairs in the Treasury, said that he would talk to the Chancellor about the possibility of replenishment in the magnitudes proposed by yourself and the U.S. Mr. Balogh (who is the chief "political economist" to Wilson) said in our chat in his office in 10, Downing Street, that he would speak to the Prime Minister, giving his strong support for the proposed replenishment. Parsons of the Bank of England, said that he would speak to people in the Treasury, indicating his strong support.

No one minimized the difficulties of getting an increase in the U.K. contribution to IDA in the magnitudes proposed by yourself or the U.S. All referred to the strenuous efforts being made by the Government to keep down public expenditures and to make the O.D.M. live within guide lines referred to as its "ceiling." The "ceiling" which is being talked about for foreign aid, including multilateral aid, is \$200 to \$220 million. In addition, they are considering special additional programs for Malaysia, Singapore, Malta and Aden, simultaneously with the pulling out of troops and subsequent decrease of defense expenditures in these areas.

In all of my talks I stressed the fact that our proposed \$1 billion replenishment has been based upon a hard look at what IDA could do in countries whose economic situation and performance and high priority project availabilities warranted IDA financing. India and Pakistan would be likely to continue to account for considerably more than 50% of the total; we had also tried to recognize the increasing needs of Indonesia and the Middle East, particularly the U.A.R. The people to whom I talked accepted the argument that the World Bank Group could not be helpful in the Middle East unless IDA had ample funds. I would say I had the most satisfactory talks with officials in the Treasury, Bank of England and Ministry of Economic Affairs, and somewhat less satisfactory with the O.D.M., principally Geoffrey Wilson and Sir Andrew Cohen, whose doleful line and warnings were in sharp contrast with the others. They believed that you should come to the U.K. and advocate a much smaller total magnitude; advocating the magnitude proposed by you or the U.S. was counter-productive. All others whom I asked vigorously disagreed and thought you should advocate your own magnitude.

On the basis of these conversations I would come to the following conclusions:

1. The U.K. is eager to hold down the level of total foreign aid expenditures, at least until 1970.
2. The ceiling on total foreign aid has not yet been firmly established and is now being considered in Cabinet. It may be agreed in Cabinet before you go to London.
3. The magnitude of IDA replenishment has not been decided.
4. The magnitudes which have been proposed by you or the U.S. are difficult but not impossible.
5. The U.K. would be prepared to accept balance of payments safeguards along the lines of our suggestion to you. Balance of payments safeguards acceptable to them are an essential pre-condition of a large U.K. contribution, but by itself will not achieve your desired magnitudes. The magnitudes will have to be argued for on the grounds of the needs for funds to finance top priorities countries and projects of keen interest to the U.K. The argument that for every U.K.£ of contribution there is £6 of contribution by others will, I believe, be the most telling point. (You may conceivably run into the argument of disillusionment with the "Commonwealth" approach and a growing isolationism in the U.K., perhaps even a willingness to walk away from India and Pakistan or at least a considerable diminution of enthusiasm in support for them. This development, rather than the budget, may well be the most serious obstacle in IDA replenishment in magnitudes desired.)
6. The U.K. authorities believe Germany and France do not wish to go along with a very large replenishment, but they will be responsive to the argument that the likelihood of this happening is less if the U.K. supports a very large increase of the size already proposed by the U.S. The U.K. will also understand the point that whichever countries fail to go along with the U.S. proposal will have to face the music at the coming UNCTAD.
7. In addition to the Chancellor of the Exchequer and the Minister for Overseas Development, the people to talk to are at least the Prime Minister and the Governor of the Bank of England. The authorities would not be at all surprised by a request or suggestion to see the Prime Minister, nor would he be surprised by such suggestion or request. However, this is something you might wish to sound out when you get to London, although, of course, this would reduce the chances of the Prime Minister being free to see you.
8. The O.D.M. people would like you to be prepared to talk technical balance of payments safeguards. I believe that you could limit yourself at this time, if you wish, to saying that we are working along the lines which they already know and that the details can be worked out after you have some idea as to what the U.K. is prepared to do. You may wish to use the argument that the U.S. is much more likely to be willing to accept major changes in its balance of payments approach -- although still insistent on an "approach with muscle" -- if it can be shown that any new balance of payments approach is getting support for IDA in the magnitudes proposed by the U.S.

July 19, 1967

I took the occasion with a number of people in London to outline, on a purely personal basis, my thoughts on possible balance of payments safeguard measures. They were well received, both technically and policywise. Incidentally, when I was in Basle I took the occasion when talking with Zijlstra, the new President of the B.I.S., to outline my thoughts on the balance of payments. The Dutch, including Zijlstra, had been most vigorous in opposing any balance of payments safeguards. Zijlstra's reaction was that he believed the Dutch authorities and others could accept the kind of balance of payments safeguards I was outlining because there would be no question of the entire contributions of all countries being used eventually and therefore no pressure on IDA management to move away from international competitive bidding and present standards in choosing countries and projects for IDA financing.

People seen separately

SIR WILLIAM ARMSTRONG	Permanent Secretary of the Treasury
SAMUEL GOLDMAN	Third Secretary of the Treasury (with Alistair McKay who is doing briefing for Chancellor of Exchequer)
SIR DOUGLAS ALLEN	Equivalent to Armstrong in Ministry of Economic Affairs -- former Treasury -- on all important inter-departmental committees dealing with international financial matters.
DAVID PITBLADO	Now top man in Ministry of Fuel -- but still regarded as knowledgeable on World Bank.
EVAN MAUDE	Now third man under Allen -- new UK Executive Director -- former Treasury.
SIR ERIC ROLL	Hopes you will have time for him in London.
SIR ANDREW COHEN	(together with man whose name I didn't get).
GEOFFREY WILSON	
THOMAS BALOGH	Prime Minister's office.
SIR MAURICE PARSONS	Bank of England.
JACK PORTSMORE	Former Bank of England on World Bank affairs - whose judgment on the "possible" in the UK I value highly - now private banker.

Filed - Personal Adv. 1

July 19, 1967

My dear Qureshi:

Thank you for your letter of June 30 and also for the three publications, Pakistan Economic Survey 1966-67, Economic Indicators 1966-67 and Government-sponsored Corporations 1966-67, which have arrived in my absence and have been forwarded to my colleagues for their perusal.

Thanks for your biographical sketch. As I have just returned from a trip to Europe I haven't had time to talk to my colleagues, but I will do so and be in touch with you if it looks hopeful.

With best regards,

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

Dr. Anwar Iqbal Qureshi, S.Q.A.,
Economic Adviser to the Government of
Pakistan

Ministry of Finance
Rawalpindi, West Pakistan

Mr. Isaiah Frank

July 19 1967

Irving S. Friedman

Thanks very much for your note. I would appreciate it if you would follow up this point made by Solomon before the Joint Economic Committee. As for working with State people in developing their revisions, my own first reaction is that we should be working with them if we think their revisions are worthwhile, but not get ourselves involved in hidden _____ of _____ which we don't like.

You may be interested to know that the Inter-American Bank in ECOSOC has endorsed our Supplementary Finance proposal and instructed Santamaria to pursue it. I think the phraseology of Solomon's statement is kind of foreboding. I would have been much happier with the kind of language which the CED Research and Policy Committee used. We have had too much experience lately of being regarded as joint authors of no-good suggestions, which we then have to try to convince people we were not party to.

May I again express my appreciation for your part in it?

cc: Mr. Sarma

All copies to Dyer

July 19 1967

Dear Mr. Okita,

Thank you for sending the name and Personal History of Mr. Akinori Marumo.

I have passed the application on for further review and will be in touch with you again later. I appreciate your cooperation in our efforts to strengthen our staff.

With warm regards,

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. Saburo Okita
President
Japan Economic Research Center
Nikkei Building
No. 5, 1-Chome, Otamachi
Chiyoda-Ku
Tokyo
Japan

cc: Mr. Dyer

FRIEDMAN
PRESIDENT HOTEL
GENEVA

JULY 11 1967

LT

SWITZERLAND

No. 1. TRAVEL OFFICE CONFIRM SUITE CLARIDGES FROM JULY 15 (STOP)
BARBARA SAID KEN FINE RETURNING HOME (STOP) REGARDS

DAPHNE

(Irving S. Friedman)
Daphne McGregor (secretary)
Office of the President

July 11 1967

Dear Mr. Vickery,

Your letter of June 28 arrived after
Mr. Friedman had left for a trip to Europe.

He is expected back in the office
about July 26 when your letter will be
brought to his attention.

Yours sincerely,

Daphne McGregor
(Secretary to Mr. Friedman)

Mr. W.E. Vickery
Department of Economics
The University of Western Ontario
London
Canada

**INTERBANK
BASLE**

JULY 7 1967

FULL RATE

SWITZERLAND

FOR FERRAS

ARRIVING BASLE 8:30 AM SATURDAY STAYING SCHWEITZERHOFF

REGARDS

FRIEDMAN

Irving S. Friedman

Office of the President

July 7 1967

Dear Thorhallur,

I was delighted to learn from your letter of July 4 that the Asgeirsson's will be paying Washington an official visit in July. My only regret is that Edna and I will be in Europe, leaving today, and returning on July 24. Is there any chance you and Lilly will be staying on beyond the 19th? We would be so glad to see you.

If you aren't staying longer in Washington, will you be at the Rio meeting?

With best regards,

Sincerely,

Irving S. Friedman

Mr. Thorhallur Asgeirsson
Ministry of Commerce
Reykjavik
Iceland

CONSOLO
HOTEL DES BERGUES
GENEVA

JULY 6, 1967

LT

SWITZERLAND

NO. 5

THANKS YOUR NO. 4 (STOP) ARRIVING GENEVA FROM BASLE BY
CAR MONDAY EVENING STAYING DES BERGUES (STOP) REGARDS

FRIEDMAN

Irving S. Friedman
Office of the President

(Chair to Gen. Fates)

July 6 1967

Dear Mr. Shimamoto,

Thank you for your letter of June 26.

We are receiving your Economic Monthly Letters and they are circulated within the Bank.

With regard to your request for a copy of the India Report I regret that as it is a restricted document, it cannot, at this time, be sent to you.

Yours sincerely,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Mr. Tohru Shimamoto
Chairman
Institute for Economic Trends (Japan)
Mitsui-dai-2-Bekkan
Nihonbashi
Tokyo, Japan

July 7, 1967

Dear Tom,

It was a pleasant surprise to receive your letter of June 28. I'm glad to know you have had a full recovery from your recent illness and hope all continues well.

I have been giving some thought to your suggestion for work in Washington and although I haven't come up with anything concrete yet I wonder if I might get in touch with you after my return from Europe. I am planning to be in Europe for a couple of weeks and expect to be back in Washington the last week of July.

Best regards,

Sincerely,

Irving S. Friedman

Mr. Thomas B. Carson
Apartment 7-B
823 Park Avenue
New York, N.Y. 10021

July 6, 1967

Dear Mr. Smith:

Thank you for your letter of June 22, 1967 about your African trip. I much appreciate the kind offer of your services to carry out assignments on behalf of the International Bank for Reconstruction and Development. We do not have any particular requests to make to you at this stage, partly because we have had missions visiting that area very recently. In fact, some of the members of our missions have only just returned to the Bank today.

I hope you have a very interesting trip. Thank you once again for your kind suggestion.

With best regards,

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Mr. George Ivan Smith
Flat 3
97, Cadogan Gardens
London, S.W.3, England

SNMcIvor:rgw

Mr. R.A. Clarke

July 7, 1967

Irving S. Friedman

Leave Records

Thank you very much for your memorandum of July 5. I think I would like to have a record kept. However, I would like to take this occasion to point out that I brought over with me from the Fund a large amount of accumulated leave as well as points for foreign travel. I had been assured at the time of coming that this would remain accumulated.

The accumulated leave, as you know, does have implications of payment on leaving the Bank and does involve a fairly substantial amount of money for me, even at the rate of pay I received from the Fund when coming to the Bank. Perhaps it is of significance in this connection that when these arrangements were made with me it was already understood that I was coming to the Bank as a member of the President's Council so that there was no question of a change in status, after coming to the Bank, having implications for past accumulations of leave.

July 7, 1967

Mr. Hoffman

845

As you may know I have had a number of discussions over the years with Monsignor Gremillion and his successor the United States, Monsignor Bordelon. We have told them that we are prepared to be cooperative in their endeavors in the economic field.

Irving S. Friedman

Letter from Eugene C. Blake to Mr. Woods of June 26, 1967
(World Council of Churches) - Mr. Hoffman to reply.

Mr. S.R. Cope

July 7, 1967

Irving S. Friedman

PERU

I appreciate your calling me on Peru. I have since had the benefit also of a conversation with Mr. Alter, and thought it might be useful to send this note.

While the Economic Committee regards the fiscal performance of Peru as inadequate, it does not object to going ahead with consideration of this loan in the private sector -- roughly on the basis that economic performance otherwise is good and a private sector project should not be penalized for inadequate government savings. The Economic Committee concluded, however, that projects in the public sector should be held up until there has been an improvement in public sector financial performance.

I am sure that the Loan Committee does not intend to review the Economic Committee's conclusions on economic performance, creditworthiness or our economic policy posture toward the country. If there are new data or other good persuasive reasons for the Economic Committee to review its conclusions we are always glad to consider setting up a new meeting for this purpose.

cc: Mr. Kamarck
Mr. Alter

July 7, 1967

Mr. Cope

640

The attached was done at the request of
Mr. Demuth who thought it might be needed
for his statement at the DAC meeting.
I think you will find it of interest.

Irving S. Friedman

Supplementary Finance and IDA Replenishment

1. Conceptually, there is a clear distinction between the Scheme for Supplementary Finance and the proposal to replenish the resources of IDA. Existing vehicles for development finance, including the IDA, are designed to provide the additional foreign exchange needed for development. The flow of development finance is thus a major determinant of the volume of investment in the public and private sectors which a country can reasonably plan to undertake. Anticipated export earnings and development finance are thus reflected in the size of development programs or plans. Supplementary finance, on the other hand, is designed to provide funds when anticipated exports, usually the most important single source of foreign exchange, fail to provide the expected amount of foreign exchange. In other words, supplementary finance does not add to the resources available for planned investment, but only substitutes for resources (from exports) which were expected but did not materialize and which are needed to prevent the disruption of agreed development programs and policies. It may be emphasized that supplementary finance thus helps protect the entirety of a development program financed from all available sources -- external and domestic, and not only that part which is financed by IDA. Since the purposes of these two types of finance (i.e., IDA and supplementary finance) are fundamentally distinct, the Study of Supplementary Financial Measures does not try to judge the priority of expenditures for supplementary financing as compared with regular development finance or, more narrowly, IDA.

2. This is not to deny that for the contributing government, subject to budgetary and other limitations, there may indeed seem to be a conflict between the two proposals in the allocation of aid funds at the present time. However, it may be pointed out that if a comparison has to be made between different uses of aid funds, the relevant comparison is not between contribution to supplementary finance and contribution to IDA but between supplementary finance and all development finance. Supplementary finance is supplementary to all development finance, rather than to IDA alone. In any case the need for replenishment of IDA's resources is immediate and needs to be accomplished in the coming months. The Scheme for Supplementary Finance is still at the stage of intergovernmental discussion, and at the earliest, is unlikely to be adopted by the governments and come into effect before 1969 or 1970. By the time the budgetary feasibility of supplementary finance needs to be considered by governments, the IDA replenishment will have taken place and the Scheme can then be considered on its merits in the light of prevailing conditions and outlook in the potentially donor countries. Thus there is no conflict in timing between the two proposals. We hope that decision on the two proposals would be taken separately based on the merits of each.

(Sent to Mr. Demuth for D.A.C. meeting - July 7, 1967)

July 3 1967

Dear M. Dupriez,

Thank you very much for the copy of your preliminary report on exchange control in the Republic of the Congo (Kinshasa) between 1960 and 1965.

Although I have not yet had time to read it, it does look most interesting, and meantime I am passing it on to my colleagues for their perusal and comment.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

M. Pierre Dupriez
B.P. 249
Kinshasa XI
Republic of the Congo

I.M.F. and I.B.R.D.

1. Bretton Woods Twins (not consins born at same time of same parents but not identical twins - different sex).
2. Different functions -
 - (a) IMF - a chosen intermonetary system - with rules of management and - and resources to help it work "monetary management"
 - (b) IBRD - new technique for accelerating war reconsutruction and economic development - by increasing flow of capital to finance resource transfer - also rules and "investment management"
3. Differences and Day to Day Decision-making (leaving aside amendant of atticles and increase in resources)
 - (a) IMF : necessary decision on par values, exchange restrictions (and MCPs) and use of resources -- "optical" though now accepted as necessary

Article XIV - conditions of exchange transactions (ex: 3-5 years - stand-bys, etc.) -- currencies to be drawn -- GATT guidance

Basic approach -- how to get acceptable country behavior necessary to fulfill rules -- do this in such a way as to make it clear action of international community -- Was deliberate decision to relate use of resources to behavior -- could have been repaid -- great of 1946-1951.
 - (b) IBRD : earlier emphasis on loan decisions -- (ex: major questions are eligibility of countries, purposes for which Bank financing available -- and project conditions -- terms of loans - plus technical assistance --

later emphasis -- how to obtain optimism in conditions in countries for development -- and how to help create better international environment for development -- directly in development finance (indirectly via trade) --

Now -- ex: emphasis on economic performance -- pre conditions -- consultative groups.
4. Relations between two:

Essentially question of relations between monetary policy and investment policy (public and private) -- "stabilization" -vs- "development" -- Distinction not between short-run and long-run -- but k time horizons used currently.

Mr. George D. Woods

June 30, 1967

Irving S. Friedman

Proposal for Balance of Payments Safeguards for Contributions to
IDA Replenishment

I have discussed with Mr. Demuth my memorandum of June 23 which sets forth in some detail a revised proposal for balance of payments safeguards for contributions to IDA replenishment. I gather from Mr. Demuth that there may have been some difficulty in comprehending it because of the details and, at his suggestion, have prepared the summary of its highlights given below. He also has some reservations which I am sure he will express to you. I am attaching hereto a copy of a Minute to the Files which Mr. Demuth prepared summarizing some thoughts which Mr. Knapp had expressed at one of our meetings. I don't know how strongly Mr. Knapp feels about these thoughts but, in any case, they were kept in mind when drafting the June 23 memorandum. I disagree with these thoughts because we do not have a statistical basis for the five-year postponement idea unless we count the five years as starting in the year before the replenishment and assume a continuation for four years of the present level of World Bank transfers. I also feel our suggestion is more likely to command general support of the Part I donors.

1. The main idea of my suggested balance of payments safeguard is that a country with balance of payments difficulties would be given an absolute assurance that for the three years of the IDA replenishment beginning in 1968/69 there would be no negative impact on the balance of payments because it would not be called upon to provide cash to IDA except to the extent of domestic procurement. If in 1971/72 and thereafter the postponing country was still in balance of payments difficulties, it could request further postponement, but postponement would be granted only to the extent that IDA funds permitted.
2. The IMF would certify as to the factual accuracy of a balance of payments difficulty, but no judgment would have to be made by the IMF or IDA since the IDA would act on the representation of a country in balance of payments difficulties.
3. For countries not postponing this could mean an acceleration of cash calls on them on a pro-rata basis to the extent necessary to meet IDA disbursements. On the other hand it would mean that, once their entire replenishment contribution had been used, IDA would make no further calls on them to finance the IDA credits committed under the proposed replenishment; thus these accelerating countries would be benefitting from IDA procurement without making any more cash contributions. Countries postponing would have to make up for the postponement by larger encashments in subsequent years, say four to eight years hence.
4. The IDA management would be free to commit the entire \$2.4 billion, and it would be understood that all of the funds to finance these commitments would come from the proposed replenishment. Thus all contributions would be eventually used without sacrificing the ability of IDA to commit the entire replenishment. There would only be a change in the schedule of encashment of contributions.

cc: Mr. Demuth

Mr. John Williams (via Mr. Kamarck)

June 29 1967

Irving S. Friedman

I have seen some of the economic tables and charts which the Projects Department does to facilitate the administration of its work. Do you think it would be worth doing this for the Economics Department and the economic work elsewhere?

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June 29 1967

Mr. Raymond Cope

Irving S. Friedman

Economic Adviser to the Europe Department

How about one of the following: Blobel, Raymond Frost, Hansen, Hogg (Projects), Lerdau, van der Mel, and Weiss? I have asked Mr. Kamarck to discuss this further with you, but will be glad to discuss it with you if it can wait until Friday or Monday.

cc: Mr. Kamarck

Mr. Kalmanoff

June 29 1967

Irving S. Friedman

ECOSOC Speech

I understand you will have a draft for me by tomorrow. I would appreciate if it could have a couple of pages on the work of the Bank, with particular reference as to what we are doing in agriculture. I understand that U Thant's address is going to have food aid as its central point.

*filed yellow folder
with Admin - General*

June 29 1967

My dear Narasimham,

Thank you for your letter of June 19. I was sorry to hear of your wife's illness and can readily understand your decision not to go to the Asian Development Bank. I am sure Mr. Watanabe will be disappointed also.

I am interested in the possibility of your joining us when Sarma returns to India. At the moment I am not sure when that will be -- he is on home leave and expected back about July 21. I do hope that we can manage this in such a way that if you do come it will not seem to the Asian Bank that your not going to them was merely a way of freeing yourself to come to the Bank. I guess much will depend upon how much time elapses between now and your possible coming to the Bank.

I will write again later, and meantime hope that your wife has a full and rapid recovery.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. R. Narasimham
Flat No. 7
Dhanastra 'A'
122 Wodehouse Road
Bombay 5
India

Mr. Kamarck

June 29 1967

Irving S. Friedman

Letter to Raul Prebisch

I still don't quite understand why we cannot directly address ourselves to his point about global and regional projections. The reply sounds highly technical but not nearly informative. Am I missing something here?

June 29 1967

Dear Mr. Tainsh,

Thank you for your letters of June 16 and June 22, 1967, and a copy of your application for a post with the World Bank. I do not yet know what kind of a post the Bank is trying to fill and whether it would be suitable for a man of your experience and qualifications. I am sure that you will be hearing from the appropriate people in due course.

I am glad that the United Nations Economic and Social Council and the FAO has taken up the question of agricultural waste.

Best wishes.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. A.R. Tainsh
Ostermalmsgatan 61
Stockholm 8
Sweden

Mr. George D. Woods

June 28, 1967

Irving S. Friedman

Trends in German Foreign Aid, with Special Reference to Reparations

In connection with your forthcoming talks with the German authorities you may find the following of use. May I draw your attention particularly to the completion of reparation payments to Israel?

Attached is a table summarizing the net flow of long-term financial resources (by DAC definitions) from Germany to the less developed countries and to multilateral agencies for the period 1961-1966. You will note that the flow of total resources, official and private, declined from a high point of \$800 million in 1961 to a low of \$589 million in 1963, after which it increased steadily to the level of \$738 million in 1966. The total for 1966 still represented less than the 1 percent-of-national income target adopted by DAC. It amounted to 0.81 percent of national income, of which two-thirds was accounted for by official capital and one-third by private capital.

The level of official capital remained virtually unchanged at about \$425 million during the three years 1962-1964, and then increased to \$470 million in 1965 and \$490 million in 1966. Data are not as yet available with respect to the component parts of the figure for 1966.

While the level of total official capital flows remained virtually stationary at about \$425 million in 1962-1964 and rose to \$470 million only in 1965, the bilateral capital component rose steadily from \$325 million in 1962 to \$432 million in 1965, and net contributions to multilateral agencies declined from \$102 million in 1962 to \$39 million in 1965. Indeed, the net contribution to multilateral agencies had been at the very much higher level of \$286 million in 1961. This large figure for 1961 was heavily influenced by Bundesbank purchases of IBRD bonds. The figure of \$102 million for multilateral contributions in 1962 was affected largely by a \$77 million payment to the European Development Fund.

According to DAC data, official aid disbursements by Germany declined during the period 1961-1965 (considering the drop from the high level in 1961 influenced by the IBRD bond purchases in that year) by an annual average rate of 6.4 percent, while expenditures on defense increased at an annual average rate of 12 percent, on fixed asset formation by 15.6 percent, and on total government expenditures by 9.1 percent.

Reparations payments ranged during the period 1961-1965 from \$63 million per year to \$80 million per year. The latest figure available, for 1965, is \$75 million. These figures represented about 15 percent of total official aid. The reparations payments have, of course, all been made to Israel. It is understood that the last of such payments

was made in 1966. The reparations agreement between Germany and Israel effected in 1952 was to be for a 12-year period, but carried through 1966 because of a lag in disbursements. With the termination of the reparations payments, Germany agreed to lend certain sums annually thereafter to Israel, subject to subsequent annual negotiations. The first such loan agreement was concluded for 1967, and provided \$40 million, at an interest rate of 3 percent per annum and a maturity of 25 years. Though the loan is tied to procurement in Germany, it is not tied to any specific projects.

By way of comparison, it may be noted that reparations payments by the other two former Axis powers ranged during 1961-1965 from \$58 million to \$67 million in the case of Japan (\$63 million in 1965), and from \$3 million to \$20 million in the case of Italy (\$3 million in 1965).

As of possible background interest, there is attached the brief papers on trends in the German economy and its aid policies which were prepared for the group of Bank staff that recently went to Europe to discuss IDA replenishment. Worthy of note in particular is the fact that the growth of GNP in real terms in Germany has recently slowed down. Growth in 1966 is estimated at 3.6 percent, and the OECD forecast for 1967 envisages a growth of only 1 percent, compared to the following growth rates during 1961-1965:

1961	5.4 percent
1962	4.2 "
1963	3.4 "
1964	6.6 "
1965	4.7 "

Unemployment is at about 3 percent with wide divergent views within Germany on how to cope with the current recession. One school of thought, which I gather is popular among the industrialists, is to allow the recession to continue as a means of eliminating inflationary pressures, particularly in the form of large wage demands, while another school, more popular in political circles, favors bringing the recession to a quick end by fiscal measures, particularly tax measures designed to encourage more investment.

Attachment

Flow of Long-Term Financial Resources from Federal Republic of Germany
to Less Developed Countries and Multilateral Agencies, 1961-1966, Net a/

(millions of US dollars)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Total Official and Private	800.4	681.5	589.0	690.8	705.3	738
Official	588.8	427.0	424.2	422.9	470.9	490
of which						
bilateral	303.0	324.6	398.9	413.2	432.2	n.a.
- reparations and indemnification payments	80.0	70.0	69.5	62.5	75.0	n.a.
of which Multilateral	285.8	102.4	25.3	9.7	38.7	n.a.
Private	211.6	254.5	164.8	267.9	234.4	248

a/ Net of reverse flow of amortization and capital transfers.

Sources - OECD, Development Assistance Efforts and Policies, Reviews of 1966, 1965, 1963.

GERMANY

Aid Policy

German policy towards external economic development is that this is best done on the basis of strict economic and commercial criteria - and preferably by private capital. The role of public assistance is therefore regarded as marginal; it is limited to financing the foreign exchange component of project costs which cannot otherwise be met.

The bulk of public assistance is therefore on hard terms with guaranteed export credits playing a major part in development assistance.

This emphasis on strict economic and commercial criteria may well be the outgrowth of the "free-market" philosophy that guided Germany's own post-war growth; it may also reflect the lack of political and economic links so characteristic of France and Great Britain.

Aid Administration

The task of working out the principles and the program of assistance policy is assigned to the Federal Ministry of Economic Cooperation, with the participation of the Federal Ministry of Foreign Affairs and the Federal Ministry for Economics. The Interministerial Committee on Development Policy (Interministerieller Ausschuss fuer Entwicklungspolitik) is the competent body to deal with the co-ordination of all development assistance activities. Unless, as happens in special cases, the decision is taken by the Federal Cabinet, this Committee exercises the final decision on all matters of policy and project selection. It consists of the heads of departments of the Ministries directly concerned with development assistance (Economic Co-operation, Finance, Foreign Affairs, Labour and Social Affairs and Economics) and representatives from the Kreditanstalt für Wiederaufbau in a consultative capacity. It has two standing sub-committees: the Interministerial Committee for Capital Assistance and the Interministerial Committee for Technical Assistance. In addition, there are two committees advising the Government on matters of development aid policy. One of these consists largely of University scientists concerned with the technical issues of economic development; the other represents a cross-section of personalities in business and industry who provide a link between the Government and the public at large and thereby increase mutual understanding of aid problems and potentials.

The task of implementing the financing of capital projects selected by the Interministerial Committee on Development Policy is exercised by the Kreditanstalt für Wiederaufbau, which fulfills the function of a German development bank and acts as the agent of the Federal Republic for the extension of bilateral capital assistance from public funds to less-developed countries. All public funds earmarked for capital assistance are administered by the Kreditanstalt für Wiederaufbau which also concludes the loan agreements with the recipient countries and supervises the effective utilisation of the funds.

GERMANY

I Basic Data

Population (1966)		59.676 million		
GNP (1965 prices) (billion US\$)	1964	1965	1966	
	107.4	112.2	116.2	
Rate of growth of GNP (1965 prices)		4.5	3.6	
GNP per capita (1965 prices) (US\$)	1,842	1,900	1,945	
Rate of growth of GNP per capita		3.1	2.4	
Cost of living, rate of growth		3.5	3.4	
Industrial production, rate of growth		5.4	1.3	

Exchange rate: 1 US\$ = 4 DM

II Balance of Payments and Reserves (\$ million)

	1965		1966
Trade balance	+222		+1,854
Current account	-1,518		+87
Capital account			
private long-term capital	+526		+357
other long-term capital (official)	-435		-719
short-term capital	+430		+592
Commercial banks	+25		+21
Net errors and omissions	+479		+239
Overall balance	-452		+1,048
Gold and foreign exchange holdings, including IMF reserve position (year end)	7,429		8,028
		(=5.1 months' imports)	(=5.4 months' imports)

III Flow of Financial Resources to LDCs & Multilateral Agencies (\$ million)

	1964		1965	1966
Total net flow	690.8		705.3	738
Private	267.9		278.2	248
Official	422.9		427.1	490
Total as % of national income	0.87		0.83	0.81
		of which		
		private		
		0.34	0.33	0.27
		official		
		0.53	0.50	0.54
Grants as % of official flow	38%		41%	n.e.

IV Capital Markets

	1964	1965	1966
New domestic issues of securities (gross) (in billion DM)			
Companies	9.4	9.3	4.3*
Public sector	10.0	9.0	0.2*
Total	19.4	18.3	4.5*
of which			
Foreign issues (\$ million)	132	-	-

* First eleven months

V World Bank Group (As of March 31, 1967 - in million of \$)

- Bank loan as of August 31, 1966 = none
- Bank 9% capital subscription: Amount \$115.20 million (see attached)
- IDA subscription:

Original subscription	\$ 52.96 million
Replenishment	72.60 million
Total	125.56 million
- Holdings of Bank Bonds: 770.18 million as at 12/31/66
- Bank 9% capital subscription: Amount \$115.20 million. Initial subscription of \$94.50 million fully released and convertible. Entire amount of additional subscription released in six annual instalments of \$3.45 million beginning June 1, 1967 and fully convertible.

VI Recent Economic Developments: General

There has been a general slackening of business activity since October 1966. Employment in industries and construction has declined and unemployment at the end of January 1967 was almost 2½ times the level of a year earlier. The rate of capacity utilization at the beginning of 1967 was 77% as compared to 85% at the beginning of 1966, and is the lowest recorded in 10 years. The downturn led to a slight decline in producer prices, and the consumer price level rose by only 0.4% between June - December 1966. The rise in wages, 6% in the second half of 1966, exceeded the productivity rise and there was an increase in unit labor cost. The resulting profit squeeze led to a decline in private investment. Public investment has also declined partly due to a slower than anticipated increase in revenue and partly because the tightness of the financial markets limited borrowing. Public consumption expenditure increased, while private consumption expenditure declined. Foreign demand continued to grow vigorously but was not enough to offset the slackening of domestic demand. The effect of the balance of payments surplus in increasing liquidity was reinforced by measures for easy money by the Bundesbank. However, significant effects from these monetary measures are still awaited.

VII Monetary Policy

A policy of restrictive credit adopted with the rise of the Bank rate in May 1966 was replaced recently by a policy of easy money and credit. On April 14, 1967 the Deutsche Bundesbank lowered the discount rate from 4% to 3½%. Earlier the rate had been lowered from 5% to 4½% (January 6) and 4½ to 4% (February 17). Concurrently the rate on advances on securities declined from 6¼ at the beginning of the year to 4½%. Reserve requirements had been reduced in December 1966.

The Bundesbank looks at developments in three major fields as determinants of monetary policy: (a) wages, (b) budgets of the public authorities and (c) level of economic activity. On all three fronts, recent developments pointed toward an easier credit policy: the wage cost pressure had weakened; the federal budget position had been clarified by the introduction of the contingency budget of up to 2.5 billion DM, and economic activity had slowed down. The effects of the easy money policy are not yet significantly felt on domestic activity.

VIII Budgetary Policy

The budget for 1967 forecasts a budgetary volume of DM 76.53 billion, 9.5% greater than that for 1966. This includes a contingency budget of up to DM 2.5 billion to finance public investment if necessary to counteract the recessionary tendencies in the economy.

The budget, exclusive of the contingency, is balanced through a reduction of planned expenditure (2.53 billion DM) and an improvement of revenue (1.4 billion). However, a deficit can still occur if the rate of growth of GNP at current prices is lower than the 5.1% as assumed in the budget proposal, and if revenue decreases in step.

IX Balance of Payments

The slow-down in domestic activity led to a big improvement in the trade balance in 1966. While exports increased by 12% as compared to 10% in 1965, imports increased by only 3% as against 20% in 1965. The balance of current transactions in 1966 showed a surplus of \$87 million as compared to a deficit of \$1.5 billion in 1965. The overall surplus was \$1.0 billion in 1966 and is expected to increase in 1967 unless sharp improvement in economic activity takes place.

X Economic Prospects

A report by the Council of Economic Experts (March 1967) gives a gloomy picture. Despite recent efforts of the Government to stimulate activity, GNP is expected to increase by only 1% in current prices in the first half of 1967 as compared to first half of 1966. In constant prices a decline of GNP by 1-2% is predicted. The forecast by the Ministry of Economic Affairs of a GNP growth of 2% at constant prices in 1967 is doubted by the Council unless strong stimulating forces emerge. The assumptions behind such prediction are (a) that private and public investment would decline by 6-10% despite the supplementary investment budget of the Government - a survey of industrialists in December predicted a fall of 12% in investment in 1967; (b) private consumption would remain unchanged because of stagnation in disposable incomes, caused by unemployment, reduced overtime, shorter hours; (c) public consumption would grow by 8%; (d) exports would increase by 10%. Two main trends in particular are cause for concern: (a) the underutilization of capacity has reduced profits and has threatened the propensity to invest, (b) the reduced domestic demand would tend to create a surplus in balance of payments (a trade surplus of DM 10-15 billion is forecast for 1967), thereby adding to monetary expansion. To attain growth and price stability greater competition and revaluation of the exchange rate is emphasized by the Council.

The latest OECD forecast for 1967 envisages a rise of 1% in total output between 1966 and 1967 (as compared to its earlier forecast of a 3.6% increase). A slight decline in the first half of 1967 is expected to be more than offset by growth in the second half. The growth rests on a sustained rapid increase in exports (12.5% over 1966). Private investments are expected to decline and so is public investment. Imports (excluding government purchases) in 1967 are expected to fall by 2% over 1966, but since government purchases are expected to increase sharply, total imports are expected to fall by only 1%. Public consumption is expected to increase by about 10%.

XI Aid Policies

The net flow of official financial resources from Germany to the developing countries and to multilateral institutions amounts to about \$425 million per year. The flow has been stationary at this level during the three years 1963-1965. It declined from a peak of \$615 million in 1961. The ratio of this assistance to national income declined from 0.66 % in 1962 to 0.51% in 1966. The ratio to national

income of total financial resources made available, including private capital, was 0.85% in 1966. Close to two-thirds of German assistance consists of bilateral loans. Net disbursements to multilateral agencies have been small or even negative in recent years (\$25 million in 1963, \$10 million in 1964, and -\$5 million in 1965). However, net private investment in securities of multilateral agencies increased steadily, from \$11 million in 1963 to \$119 million in 1965. The terms of official loans hardened somewhat between 1964 and 1965, average maturity in the latter year being 16.9 years, and average interest 4.2%. Technical assistance accounted for close to 20% of Germany's official aid in 1963-1965, and reparations for slightly more than 10%. Reparations payments will be negligible from this point on.

In 1965 the geographical distribution of total official German bilateral assistance was as follows: Europe, 9%; North Africa, 7%; Southern Africa, 14%; Latin America, 10%; Middle East, 19%; South Asia, 24%; Far East, 9%; Other, 8%.

XII Legislative Procedures for Contributions to IDA

For IDA to obtain an additional contribution from the Government of the Federal Republic of Germany, an agreement has to be reached with this government, and the latter has subsequently to submit a bill to the Parliament ("Bundestag") for approval. In the course of the legislative procedure the bill will probably be extensively discussed in the Committee for Development Aid, and the Committee for the Budget of the Parliament. After the bill has been passed, the Government may commit itself definitely to further contributions to IDA. The amounts authorized in the act are, as the outcome of legal obligations, automatically inserted in the budget of the years in which they are to be disbursed. The annual expenditure estimates in the German budget are drawn up on a cash basis, i.e., the amounts concerned are authorizations for cash payments during the relevant fiscal year. However, if considered desirable - and there is much to be said in favor of this method in the case of a coherent multi-year program of expenditures - the budget may additionally include obligational authorizations, authorizing the government to incur liabilities that lead to payments in later years. Unutilized authorizations (payments and obligations) can be carried over to the following fiscal year as far as such an arrangement is included in the budget document.

The contributions to IDA are administered in the (Federal) Ministry for Economic Cooperation. Although the budget of this Ministry needs annual approval in the framework of the budgetary debates in Parliament, parliamentary approbation would not constitute a major problem, as the instalments of the additional contribution would be considered as binding commitments and imperative expenditures, to be approved quasi-automatically during the relevant budget sessions.

From the cash basis of the German budget it follows that commitments in any form will not affect the budgetary surplus or deficit, unless these commitments lead to actual payments in the same fiscal year.

Germany - Total Official Bilateral Assistance (net)
by Major Recipient: 1960-1965

(\$ Millions)

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
<u>Europe</u>	<u>54</u>	<u>57</u>	<u>28</u>	<u>40</u>	<u>24</u>	<u>40</u>
Greece	14	38	5	4	2	-1
Spain	-4	1	4	8	4	19
Turkey	31	22	23	29	17	23
Other	13	-4	-4	-1	1	-1
<u>North Africa</u>	<u>-2</u>	<u>-5</u>	<u>5</u>	<u>12</u>	<u>25</u>	<u>32</u>
Tunisia	::	::	1	::	2	9
U.A.R.	-3	-5	3	11	22	9
Other	1	-	1	1	1	14 1/2
<u>Southern Africa</u>	<u>5</u>	<u>13</u>	<u>59</u>	<u>54</u>	<u>41</u>	<u>61</u>
Congo (Kinshasa)	::	::	4	4	1	::
Ghana	::	::	2	1	3	3
Guinea	::	1	4	8	1	2
Kenya	::	::	::	3	4	2
Liberia	1	10	44	22	3	9
Senegal	-	::	1	2	3	1
Somalia	-	::	::	2	4	4
Tanzania	::	::	::	3	9	4
Sudan	4	1	1	2	::	12
Togo	::	1	::	1	5	4
Other	-	-	3	6	8	20 2/3
<u>Central America</u>	<u>4</u>	<u>2</u>	<u>3</u>	<u>5</u>	<u>::</u>	<u>2</u>
Mexico	4	2	3	4	-1	-1
Other	-	-	-	1	1	3
<u>South America</u>	<u>20</u>	<u>28</u>	<u>35</u>	<u>32</u>	<u>6</u>	<u>43</u>
Argentina	12	15	-2	2	-15	-20
Brazil	1	15	4	19	12	47
Chile	7	1	29	8	5	-8
Other	-	-3	4	3	4	19 3/4
<u>Middle East</u>	<u>64</u>	<u>66</u>	<u>77</u>	<u>78</u>	<u>72</u>	<u>82</u>
Iran	::	::	9	6	7	5
Israel	63	65	60	68	62	75
Jordan	::	::	1	3	3	2
Other	1	1	7	1	-	-
<u>South Asia</u>	<u>84</u>	<u>111</u>	<u>77</u>	<u>96</u>	<u>126</u>	<u>105</u>
Afghanistan	1	3	2	3	7	16
India	83	132	54	44	72	45
Pakistan	::	5	20	42	46	42
Other	-	1	1	7	1	2

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Far East	..	..	5	19	42	39
Indonesia	..	..	4	8	14	15
Korea (South)	..	..	..	4	11	4
Thailand	..	..	1	1	8	8
Vietnam (South)	..	..	..	3	5	5
Other	..	..	-	3	4	7
Other & discrepancies due to rounding	<u>13</u>	<u>27</u>	<u>58</u>	<u>63</u>	<u>77</u>	<u>28</u>
GRAND TOTAL	<u>242</u>	<u>329</u>	<u>347</u>	<u>399</u>	<u>413</u>	<u>432</u>

-
- 1/ mainly Morocco
 2/ mainly Nigeria and Madagascar
 3/ mainly Peru

Mr. Bernard R. Bell

June 28, 1967

Irving S. Friedman

Agriculture in the LDC's

In a number of recent meetings various questions have been raised about methods of agricultural production and land ownership in the LDC's. Is there something I could read which indicates the relative importance in the LDC's of agricultural production by small individual farmers, tenant farmers, medium-sized farmers, plantations, cooperatives, State-owned enterprises, commercial enterprises, etc.

Thank you.

*Filed
Suppliers Credits - DAC*

June 27 1967

Dear Arthur,

In reply to your letter of June 8 concerning the questions on the Suppliers' Credits report raised by the Everts group of DAC, I am enclosing comments which can be used in replying.

As you can see, we have taken the questions to be those contained in the enclosure to your letter to Mr. Sacchetti of April 6, 1967. The enclosure, however, is a mixture of miscellaneous statements, comments, and questions, and we have done our best to extract those points on which we consider it appropriate for the IBRD staff to comment. I trust that these comments provide the answers you require.

I note that the OECD Trade Committee might consider the Suppliers' Credits report at its meeting of July 6. Could you ascertain the nature of the consideration that might be given to the subject by this Committee, whose sphere of activities is, of course, very much broader than the subject at hand, so that we can determine whether it is appropriate to send someone from Washington to cover the meeting?

Yours sincerely,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Encl.

Mr. Arthur Karasz
Deputy Special Representative in Europe
International Bank for Reconstruction and
Development
4 Avenue d'Iena
Paris 16^e
France.

cc: Messrs. Demuth, Kamarck, Kalmanoff, Sacchetti, Nespoulous-Neuville
(including enclosure)

misc

June 27 1967

Dear Mr. Paijmans,

This is just a note to thank you for the memorandum on the Technique et Democratie meeting.

I am passing it on to others and of course will be interested to hear of further developments.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. Martijn J. Paijmans
International Bank for Reconstruction
and Development
4, Avenue d'Iena
Paris 16^e
France.

Mr. Kamarek

June 27 1967

Irving S. Friedman

Meeting of Technique et Democratie

You may like to pass this on to others.

UNCTAD
Letter Prebisch/Dece

6/22/67

Mr. Kamarck

800

Isn't Prebisch interested in showing a regional projection, and can he do this with the material we now provide him?

Reply to Prebisch re computer cards data.
Letter of June 12 1967

6/23/67

Mr. Kamarck

800

Thanks for your comments, but I think in the light of them we really ought to tell Prebisch that regional or global figures can be deduced from what is already given.

Thank you.

Library + files

June 22 1967

Dear Mr. Vlerick,

Thank you for your letter of June 15, 1967 and your letter of the same date to Mr. Aldewereld which was passed on to me. I am glad that the 8th Congress of Flemish Economists was such a success. I am looking forward to seeing the reports and minutes of the Congress.

I have sent the information sheet and order form for additional copies of the reports to our Librarian. I am sure you will be hearing from him.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. A.J. Vlerick
President
Achtste Vlaams Wetenschappelijk
Economisch Congres
Inrichtingssecretariaat
St-Pietersnieuwstraat, 49
Gent, Belgium

cc: Mr. Aldereweld
Mr. Loftus

2 Copies of report and minutes received and sent to
Library - July 14, 1967

IDA led

Mr. George D. Woods

June 23, 1967

Irving S. Friedman

Revised Proposal for Balance of Payments Safeguards for Contributions to IDA Replenishment

1. There is given below a proposal for balance of payments safeguards for contributions to IDA replenishment, which attempts to meet the principal objections of the United States to some of our suggestions and of the European countries and Japan to the United States' suggestions. On the basis of discussions since the Paris meeting, it is assumed that the safeguards offered would be open only to countries in balance of payments difficulties. It is also assumed that any balance of payments relief applies only to amounts over and above procurement in the country in balance of payments difficulties.

2. Specifically the proposal attempts to cope with the following criticisms:

- (a) Succeeding replenishments might permit a country to postpone indefinitely so that its ostensible share of IDA contributions would be more than its actual share.
- (b) Unused contributions at the time of a subsequent replenishment might be used, directly or indirectly, to finance contributions of a postponing country such as the United States to that subsequent replenishment.
- (c) The duration of end-of-queue postponement is not sufficiently certain to give assurance to the United States.
- (d) The acceleration by other countries, which makes postponement possible, might create balance of payments difficulties for the countries asked to accelerate.
- (e) The country desiring postponement might be embarrassed by having to ask IDA for such postponement in a public forum.
- (f) Countries which are no longer in balance of payments difficulties should not be allowed to have their previously postponed portions remain unused.
- (g) At the end of postponement, cumulative drawings on such countries should rapidly be brought back into pro-rata relationship to drawings on other countries.
- (h) It is not clear what international agency would certify as to the serious balance of payments difficulties of the country requesting postponement, and on what criteria.

3. The following proposals are based on these assumptions:
- (a) Avoidance of excessive financial risks for IDA;
 - (b) Maintenance of international competitive bidding; and
 - (c) Maintenance of the principles of IDA credit extension on the basis of the performance of borrowing countries and the soundness of projects.

4. The essence of the following proposal is an assured period of postponement during which a country in balance of payments difficulties will not have these difficulties increased by its relations with IDA. This assurance is not qualified by such phrases as "as long as IDA sources permit". In this way "muscle" is given to a postponement technique. To meet the argument that definite assurance on postponement cannot be given because it creates uncertainty as to the availability of funds to meet IDA outstanding credit commitments, the period of assured postponement is cautiously calculated. Thus decision making by IDA would be related to projections of future levels of credit commitments, procurement patterns, rates of disbursement, etc. Such projections, however, have been made cautiously. Additional margins of safety are also built into the proposals made below, e.g., IDA management could give less than the assumed levels of fast-disbursing credits (\$250 million per year), the amount of credits assumed to cover local procurement could be reduced, etc. Perhaps the most basic safety factor, however, is that there is no question about all of the pledged monies becoming available in due time. If less cautious assumptions were made, both with respect to statistics and to flexibility of policies followed by IDA, a longer than three-year period of assured postponement might well be given. However, at least at the outset it is felt desirable to be conservative in this respect. Thus, despite the fact that our statistical tables, which have been distributed, suggest that a four-year postponement beginning in 1968/69 might well be feasible, the proposal below suggests a three-year postponement beginning in 1968/69. Incidentally, the following proposals do not attempt to say how we would deal with Bank transfers; no change in current policies in the use of such transfers is necessary to make the following proposal feasible, except that Bank acceleration is assumed as possible along with acceleration of other donors.

Revised Proposal

5. A. Eligibility for postponement

A1) Postponable drawings: That portion of any drawing by IDA in excess of the value of identified disbursements by IDA in an eligible country (see paragraph A2) is postponable. (The drawings referred to above are against installments of the proposed replenishment; and the disbursements referred to are under credits extended on the basis of the same replenishment.)

A2) Eligible countries: Countries will be eligible which are in serious balance of payments difficulties so long as the difficulties last. Determination of the seriousness of difficulties will be left up to the contributing country, subject to a check on the facts on which its determination is based. The contributing country will be asked to consult with IDA staff two weeks before transmitting notification of its decision to exercise the postponement option; it will inform IDA staff of the facts of the balance of payments situation leading it to make the request. IDA staff will then consult IMF about the factual accuracy of the data in the statement. Unless there is any question about the data, or unless the country revises its intentions, the notification may be transmitted as soon as the two weeks are over. The right to postpone will become effective on the date of transmittal.

A3) Duration of eligibility: Requests for postponement will apply to drawings in, say, the succeeding year; at the end of the year a new notification to the IDA will be required, unless the country has determined that postponement is no longer needed. Considerations of availability of statistics, of time necessary for analysis and of administrative economy combine to suggest that a period of one year is more suitable for this purpose than, for example, the two months which are currently the normal interval between IDA drawings, or for longer periods than one year, say two or three years.

B. Amount and Duration of Postponements

B1) Guaranteed minimum: Complete balance of payments relief, i.e., full postponement of postponable drawings in eligible countries, will be guaranteed for the three initial years of the replenishment, i.e., the three fiscal years in which installments of the replenishment are paid in. Releases of postponed funds cannot be requested by IDA until after the initial three-year period (see paragraph D1).

B2) Additional postponements: Any postponements (including renewals of postponements) after the three initial years can only be made to the extent permitted by the availability of funds to IDA. IDA can give no advance assurance of such postponements. They are, of course, subject to the eligibility requirements already described (in paragraphs A1 and A2).

B3) Pro-rating of additional postponements: In cases where additional postponements (referred to in paragraph B2) by two or more countries must be restricted because of inadequacy of IDA resources, postponements will be allocated among them; for example they may be pro-rated on the basis of the amounts eligible for postponement.

B4) Pro-rating of acceleration: Drawings of installments paid in by non-postponing countries will be accelerated pro-rata in the amounts necessary to meet IDA disbursement needs.

B5) Limit on acceleration of countries in serious balance of payments difficulties: If acceleration (described in paragraph B4) would result in drawings in excess of the level of identifiable procurement in a country in serious balance of payments difficulties, the country will thereby become eligible to request postponement of the excess amount (as indicated in

paragraphs A1 and A2). Thus countries in serious balance of payments difficulties will not be called on to accelerate to the point where IDA operations would add to these difficulties.

C. Ensuring complete use of all contributions

C1) Credit commitments will be made up to the total amount of the replenishment.

C2) IDA will act on the assumption that no resources can be carried back from subsequent replenishments to make disbursements on credits extended under the proposed replenishment. (The converse, i.e., temporary use of carryover from the preceding replenishment, is not excluded). The effect of this provision is to require countries which postpone in the initial 3, 4 or 5 years to accelerate to an equal extent in the following 5 years or so; conversely, countries accelerating in the earlier years will be called on in the later ones for correspondingly reduced amounts -- perhaps zero if acceleration has been pronounced in the first few years of the replenishment. All the contributions to the replenishment will thus be used to cover the credits extended under the replenishment (see paragraph C1).

D. Termination of postponement

D1) Release of postponements: Postponing countries will release postponed funds whenever they emerge from balance of payments difficulties. IDA may require release of postponed funds after the initial 3-year period (see paragraph E1), whenever its current requirements exceed what can be obtained by drawings from other contributors.

D2) Use of released funds: Funds released from postponement may be disbursed by IDA prior to pro-rata drawings. The pattern and timing of usage will be left to management decisions.

6. I have considered the desirability of suggesting a number of different proposals. However, it seemed more useful at this stage to come up with a single proposal instead of alternatives. I assume that we would wish to keep this proposal confidential within the Bank. It is even conceivable that in some modified form this could become a German proposal after your discussions with them or others. The above suggestions have not been discussed with U.S. Treasury people. I have had some talks with Mr. Demuth, but he has not had a chance to comment on the proposal. I am limiting the circulation of this memorandum to Mr. Demuth.

cc: Mr. Demuth

SSM 6/28/67

GATT AND THE LDC'S

Mr. Friedman reported that discussions with GATT and UNCTAD officials in Geneva since the conclusion of the Kennedy Round of tariff negotiations indicated that both institutes were studying the effects of the Kennedy Round on the less developed countries. Behind the scenes efforts were being made by the GATT Secretariat to persuade the latter to give additional concessions to the LDC's which (under the Kennedy Round rules) need not be reciprocated. The Europeans were suggesting that all concessions of substantive interest to the LDC's should be introduced for all GATT members, including the LDC's, immediately, instead of over a four to five-year period as negotiated with the participants in the Kennedy Round. United States' officials, possibly influenced by the sentiments expressed at the last Punta del Este Conference, were arguing for the immediate preferential application of all Kennedy Round concessions to the LDC's only. It seemed that the agreed new world wheat price and a 4.5 million tons annual food aid program were to be incorporated into a new International Wheat Agreement to be negotiated on the expiry of the present agreement on June 30, 1967. The question of who should administer the aid fund was being debated informally.

C+N - Tainsh

Mr. Kamarck

June 21 1967

Irving S. Friedman

Mr. A.R. Tainsh

Please prepare a reply. What in the name of Heaven are we doing asking the International Recruitment Unit of the Ministry of Overseas Development to find us an agricultural economist!

Speeches - Ottawa

Mr. Lars Lind

June 21 1967

Irving S. Friedman

Ottawa Speech

Thank you for the suggested editorial changes - I think they do improve the text. However, I would appreciate it if you would take steps to bring back the last two lines on page 9 which I believe you cut out.

*File returned -
Waage*

Mr. H.E. Dyer

June 21 1967

Irving S. Friedman

D.L. Waage

Thank you very much for bringing this to my attention. At the moment Mr. Waage is not doing any definite assignment at the Bank, although I will probably be asking him to do some work during the course of the coming year and assume that his appointment can be renewed then. However, if it is more convenient to renew his appointment now and is compatible with the Budget I would have no objection to doing so. But there may be some difficulty on the latter score. If you wish to proceed along the latter lines, however, I would suggest that you discuss this with John Williams or Horst Eschenberg.

Thank you.

June 20, 1967

Embassy of Japan
2516 Massachusetts Avenue, N.W.
Washington, D.C.

Dear Sirs:

This is to advise that I will be financially responsible for my son, John S. Friedman, in the event that he stays in Japan longer than two months.

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

(Pending Folder - Incent of
Memo File)

(Kalmann to write
draft)

June 20, 1967

Dear Miss Marshall,

Thank you for your letter of May 29.

The copy of World Trade 1966 has arrived and
is a most interesting publication.

I hope to have the article to you in
the required time, and will mail a short
curriculum vitae along with it.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Miss A.S. Marshall
Associate Editor
World Trade
Onlooker Publications Private Ltd.
20G Sleater Road
Bombay - 7
India.

Today's Lunch at 1 p.m. in Dining Room A

I thought you might like to know something about our lunch guests.

Father Land is here en route from Rome to various countries in Asia, including Japan, the Philippines, India, Pakistan, etc. -- he is being sent out by the Pope from Rome (where he is normally stationed) to discuss with religious leaders of all faiths in those countries, the best way of implementing the Papal Encyclical on Development. He would very much like to hear any thoughts you may have on how he can do his task in the Asian countries he is going to visit.

Monsignor Bordelon (an American) has been placed in charge of the group in the United States sponsored by the Catholic Church; his title is: Director, Secretariat for World Justice & Peace. His job is to secure grass roots' support for development assistance in the United States as his part in the implementation of the Papal Encyclical.

In addition to our two guests, the other people at the lunch will be: Mr. Ayub, Mr. Chen, Mr. Raj, Mr. Kamarck and Mr. Gilmartin.

Irving S. Friedman

June 19, 1967

Mr. Richard H. Demuth

June 16, 1967

Irving S. Friedman

Relations with DAC

Thank you for your memorandum of June 15. It could well be that I am all wrong about this (as about other things), but I warmly welcome your suggestion that we might discuss what are some of the things which seem like difficulties to me, if you can conveniently find the time.

I would very much appreciate if you could set up a small meeting on this - perhaps Andy Kamarck and I could come and anyone else you think should come - to discuss my concern with the lack of expert representation at certain kinds of meetings, which creates difficulties for our work.

Incidentally, I do not regard this as an urgent problem, knowing the other things you are doing, but, if you do have time, I would be happy to come and discuss this matter with you.

cc: Mr. Kamarck

(Pending - First of World Trade)

Mr. Kalmanoff

June 16 1967

Irving S. Friedman

Article for World Trade

I would appreciate it if I could have a first draft of an article for the attached magazine done for me by someone in the Economics Department.

Attachment

*India
(copy to files)*

June 16, 1967

Dear Dr. Shah,

In reply to your letter of June 8 requesting further Bank studies, I have placed your name on our mailing list and any publications will go to you automatically.

With best regards,

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Dr. V.C. Shah
Economic Adviser
Embassy of India
585 Avenue Louise
Brussels, Belgium

cc: Mrs. Eliason
(mailing list for Occasional Papers please)

*Original Folded
(misc)*

June 16, 1967

Dear Monsignor Gremillion:

On June 2 I wrote to you saying that I planned to be in Rome from June 22-24 to attend the Conference of the International University of Social Studies Pro Deo. I have just had to cable Father Morlion that because of urgent duties in connection with the replenishment of the International Development Association, I am unable to attend. Fortunately, I did tell him from the very beginning that any acceptance by me was tentative in view of the great importance for us of the current discussions on the replenishment of IDA. We can't be of much help to less developed countries unless we can convince our donor countries of the need to provide the necessary financial resources!

I am attaching the English and French versions of the draft of the brief talk I was going to give to the Conference, in the hope that it might be of some use to you. I do not mind your attributing the text and thoughts to myself, as long as they are not attributed as coming from a speech made by me to the Pro Deo Conference, since as such it is not being given, although, perhaps, it will be published in one form or another.

I am looking forward to the visit of Father Land on Monday, and have been in touch with Monsignor Bordelon about this visit.

I hope to be in Europe in connection with the meeting of the U.N. Economic & Social Council in Geneva, from about July 11-14 - do you expect to be in Rome in the days immediately following? My principal disappointment in not attending the Pro Deo Conference is missing the opportunity for a private audience with the Pope. Although a veteran in this field, I was quite excited at the prospect, and would be less than frank, if I did not say that I hope for another opportunity to arise.

I guess that by now you have settled into your new post. I am sure it is most exciting, and equally sure that it will give you scope

Monsignor Joseph Gremillion
Pontifica Commissio Justitia et Pax
Casa Santa Marta
Vatican City
Rome, Italy

Monsignor Gremillion

- 2 -

June 16, 1967

for fulfilling your mission. Please be assured of our continued support. If I see you in Rome, we can, perhaps, discuss more about how we might be of assistance in your work; if not, I will write to you about it, as you suggested in your letter of May 24.

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

FELIX MORLION O.P.
INTERNATIONAL UNIVERSITY OF
SOCIAL STUDIES PRO DEO
12 VIALE POLO
ROME

June 16, 1967

L.T.

ITALY

REBERT KAMARCK UNABLE SUBSTITUTE FOR ME BECAUSE OF FAMILY REASONS STOP
WOODS HAS WRITTEN SEPARATELY TO YOU REGARDS

FRIEDMAN
INTBAFRAD

Irving S. Friedman
Office of the President

June 16 1967

Dear Felipe,

Thank you very much for your book
EL DESARROLLO DE AMERICA LATINA Y SU
FINANCIAMIENTO.

I look forward to reading it with
much interest. I am sure it will improve
both my economics and my Spanish!

Sincerely,

Irving S. Friedman

Mr. Felipe Herrera
President
Inter-American Development Bank
808 17th Street N.W.
Washington D.C. 20577

Permal
158

June 16, 1967

DECLASSIFIED

SEP 19 2023

WBG ARCHIVES

Dear Max,

I am sorry we could not meet on your last visit to Washington. One of the things I had wanted to explore with you was whether you had any suitable opening for Bimal Jalan, about whom I had spoken to you in Toronto.

Jalan has been working closely with me both at the Fund and the Bank since he left Oxford. His work for me has covered a wide range of topics; he has also been with me on a number of visits to Europe and elsewhere and thus has had the experience of dealing with senior officials both in governments and financial institutions. He is absolutely first rate, both as an economist and in every other respect.

Jalan is keen to have some experience in economic consultancy before he goes back to India. I thought your firm would be just the place for him to get this experience. I am enclosing his c.v.

Best regards,

Yours sincerely,

Irving S. Friedman

The Honorable Maxwell Stamp
Maxwell Stamp Associates Ltd.
Moor House
London Wall
London E.C.2 England

cc: Mr. Jalan (The telephone No. is National 6641)

Curriculum Vitae

Bimal Nayan Jalan

Born: July 3, 1941

Citizenship: Indian

Marital Status: Married

Education:

B.A. (Hons.) in Economics, Calcutta University, 1960.

B.A. (Tripos) in Economics, Cambridge University, 1962.
M.A. (Cantab, 1965).

B. Phil. in Economics, Oxford University, 1964.

Professional experience:

1964: September-November -- Economist, Exchange Restrictions
Department, International Monetary Fund, Washington D.C.

1964: -- Economics Department, International Bank for
Reconstruction and Development, Washington D.C.

June 16, 1967

My dear Takeshi,

You will recall that in Tokyo, among other things, I mentioned my hope that I would be able to have the same luncheon group in Rio that we had last year in Washington. At that time you said you would be happy to come on the Thursday of the Conference. The Conference week, as you probably know, is September 25-29.

I am hoping to have Felipe Herrera, Ferras, Guth, Andy Overby, Bob Roosa and Charlie Coombs again. I am hoping that it is still possible for you to come and would appreciate it if you would cable me whether you plan to come. The plans are, of course, subject to your not having other official functions which you simply have to attend.

With warm regards,

Sincerely,

Irving S. Friedman

Mr. Takeshi Watanabe
President
Asian Development Bank
P.O. Box 126
Commercial Center Post Office
Makati, Rizal
The Philippines

June 16, 1967

Dear Wilfred,

It has been much too long since we have seen each other. I think about your activities from time to time, but miss the opportunity of personal contact and exchange of thoughts.

As you can guess I have been quite busy myself with the usual combination of foreign travel, country work, and general problems. The last has been most troublesome since it has been largely the IDA replenishment. I may say to you personally that I am really tired of the task of having to explain the rather obvious points over and over again as to why contributions to IDA, or for that matter all activities of such combined, are really only a trivial portion of balance of payments deficits, budgets, etc. I am also rather tired of hearing all of the so-called great political difficulties in doing this kind of thing and then reading about the kind of nonsense which governments not only spend their resources on but make primary political objectives. It is a wearisome business indeed.

I am not discouraged about the outcome and I do enjoy the work on individual countries as well as more general policy questions, but I guess I am just tired. If I had a chance to talk to you I am sure that many of these things would fall into proper perspective.

You will recall that last year at the Governors' Conference we had lunch together and decided then to try to repeat the lunch at the coming Governors' Conference in Rio. When I was out in Japan and the Philippines I spoke to Watanabe, and here in Washington have had a chance to speak to Herrera and Overby and they would be happy to join in the lunch in Rio on the Thursday of the Conference. The Conference, as you probably know, is scheduled for September 25 - 29. Do you think you could make the lunch?

I have just telephoned Bob Roosa and Charlie Coombs and they will be coming. I hope that Gabriel will also be joining us. I would appreciate it if you would cable me whether you plan to come. The plans are, of course, subject to your not having other official functions which you simply have to attend.

With warm regards,

Sincerely,

Irving S. Friedman

Mr. Wilfred Guth
Kreditanstalt Fur Wiederaufbau
Frankfurt-Main, Lindenstrasse 27
Germany

IDA Bad

Mr. George D. Woods

June 16, 1967

Irving S. Friedman

Meeting with Secretary Fowler

For your meeting with Secretary Fowler it may be useful for you to know the results of our latest revisions of the statistical working out of the so-called "Woods scheme", i.e. the U.S. magnitudes for replenishment, but balance of payments protection by end of queue treatment of drawings in excess of procurement in postponing countries. These revisions were based on discussions held with Mr. Knapp and his group as to what were now considered realistic assumptions with respect to the future activities and management of IDA.

Without bothering you with the tables themselves, the results may be summarized as follows:

1. The U.S. would have one hundred per cent balance-of-payments relief until 1972-73. (Assumes that the World Bank transfers could occasionally, if needed, not be drawn down pro rata with country contributions.)
2. Under very improbable circumstances, namely, that the three principal donor countries whose IDA procurement is less than their contributions to IDA are simultaneously and persistently in balance of payments difficulties, balance-of-payments relief would still be one hundred per cent until 1971-72.
3. I would regard the assumption in number 2 as unrealistic and worth mentioning only to support the credibility of our conclusion that the "Woods scheme" is an excellent balance of payments safeguard for the United States both in its effects and "optically" in limiting the actual usage of the United States' contribution to U.S. procurement for five years, if the U.S. balance of payments difficulties persist.

cc: Mr. Knapp

*Pro Des
(Account folded)
Morse*

FELIX MORLION O.P.
INTERNATIONAL UNIVERSITY OF
SOCIAL STUDIES PRO DEO
12 VIALE POLA
ROME
ITALY

JUNE 15 1967

FULL RATE

AS FEARED URGENT TASKS HERE IN CONNECTION WITH REPLENISHMENT OF
RESOURCES OF INTERNATIONAL DEVELOPMENT ASSOCIATION MAKE IT IMPOSSIBLE
FOR ME TO BE IN ROME (STOP) REGARDS

FRIEDMAN
INTBAFRAD

Irving S. Friedman
Office of the President

Mr. George D. Woods

Irving S. Friedman

Pro Deo Conference

June 15 1967

You may be interested in the notes I had written for the Pro Deo Rome conference.

I have informed them that I will not be going.

Mr. George D. Woods

DECLASSIFIED

June 11, 1967

Irving S. Friedman

AUG 16 2023

WBG ARCHIVES

Luncheon with Chief of Staff, Senate Foreign Relations Committee

From time to time I have lunch with Mr. Carl Marcy, who is an old friend and has been for many years Chief of Staff of the Senate Foreign Relations Committee. He is very well disposed towards the World Bank Group.

He says that the climate on IDA at the moment is not good, primarily because of the strengthened anti-foreign aid feeling. He noted that the legislation on the Inter-American Bank simply has not been reported out, as one senator after another has asked for more time for study. However, he feels that there is a majority in favor of the proposal for the Inter-American Bank and therefore it will be reported out favorably. He commented that the opposition was coming from senators who combine a number of different views -- concern with the balance of payments, preference for bilateral as against multilateral agencies, feeling that U.S. foreign aid had led to deep political and military involvements and transferring this feeling to multilateral aid, resentment against anti-U.S. positions taken by India and other recipients of aid, etc.

On IDA he was quite enthusiastic about the thought that replenishment be approached on a "Middle East" basis. He said that this could be presented as the one hopeful way of obtaining stability in the Middle East area and avoiding a big power confrontation in the future. He thought this would be particularly appealing to Senator Symington, who is worried about the repetition of a Russian/U.S. confrontation caused by problems of other countries. He felt that if the President were to indicate strong support for IDA on this new basis and ask for its urgent consideration, it would have a very good chance of commanding majority support for quick action. It would shift the emphasis at least for the time being, from India and Pakistan to the Middle East. The thought that IDA replenishment might now be advocated on the grounds of helping the U.A.R., Jordan, Sudan, Indonesia, Africa, etc., as well as India and Pakistan, seemed quite attractive to him. In any case he felt that the IDA replenishment would have majority support of the Senate Committee. Much would depend on the degree of support given by the President. As for the balance of payments, the members of his Committee felt that the real expertise was in the U.S. Government and elsewhere and not in their Committee, and therefore they would be guided in the end by the views of U.S. experts outside of their Committee.

He queried whether it was possible for the World Bank to have collaborative relations with the Soviet Union. He said that there was a growing feeling that closer cooperation between the US and the USSR might be the best way to avoid international crises, and incidentally make the United Nations effective. I told him about the statement you had made last year to the ECOSOC on the possibilities of the Soviet Union working together with other donor countries.

Finally he volunteered to be of any help to us in getting the temperature of the Committee or in making informal suggestions. He appreciated the point that we don't want to meddle into relations between the Executive and Legislative branches, but thought that an informal exchange of views and facts need not create difficulties as long as our exchanges remained confidential.

Mr. Andrew M. Kamarck

June 14, 1967

Irving S. Friedman

10th Session of the Working Party on UNCTAD Issues

Please look at the memorandum of May 29 on the 10th Session of the Working Party on UNCTAD Issues circulated by Mrs. Boskey.

I believe this memorandum again reflects the profound difficulties we get into when meetings of this kind are attended by people who, however able, are simply not able to speak for the Bank. There is virtually no reflection in this memorandum of the multitude of work going on in the Bank on these topics. Perhaps we should stop doing work we are reluctant to tell the world we are doing!

I would like to emphasize that this is in no way a criticism of Mr. Ziegler, for whom I have a high regard, nor of anyone else, but rather a failure of organization and communication on our part.

Do you disagree?

cc: Mrs. Boskey

ABA

June 14, 1967

Dear Chas,

Thanks for the invitation to the ABA Convention. I regret that I will not be able to attend as the Annual Meeting will be held in Rio de Janeiro during the same time.

Best regards,

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. Charles E. Walker
Executive Vice President
The American Bankers Association
90 Park Avenue
New York, N.Y. 10016

Mr. Gilmartin

June 14, 1967

Irving S. Friedman

Letter from B.R. Shenoy

You may be interested in the attached letter from Professor Shenoy to myself. It was one of a series.

I would be particularly interested in any comments on the point made with respect to capital consumption on Indian firms.

June 14, 1967

My dear Shenoy,

I have been travelling to various countries so much these days that I am afraid I have neglected to answer your letter of May 6. Please accept my apologies.

As always I read your letter most carefully and with great interest. I am particularly intrigued with your comments on the question of capital consumption on the firms in India. I am raising this point with others here who work on India to ascertain their reactions.

I look forward to hearing from you again.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. B.R. Shenoy
Director
University School of Social Sciences
Gujarat University
Ahmedabad 9
India

*Only file to Personnel
(Dyck)*

June 14, 1967

Dear Mr. Okita,

I am writing in reply to your letter of June 2 regarding Dr. Yoshitomi. I have looked into this matter again and am afraid I have nothing to add to what Dr. Yoshitomi has already been informed.

As you are well aware from your own experience, fitting a person into a staff depends largely on combining the candidate's particular qualifications and the needs of the institution. Therefore, if other candidates come to mind with somewhat different backgrounds -- perhaps with more statistics or mathematics, please have them write to me.

I do appreciate very much your assistance in my efforts to have more Japanese join the Bank economic staff.

With warmest regards,

Yours sincerely,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Mr. Saburo Okita
President
Japan Economic Research Center
Nikkei Building
No. 5, 1-Chome, Otemachi
Chiyoda-Ku
Tokyo, Japan

Admin - General

Mr. Hugh B. Ripman

June 14, 1967

Irving S. Friedman

Telephone Directory

This is an awfully unimportant subject for my first communication to you as Director of Administration, but I have had on my mind for some time the listing of missions in the telephone directory.

I would like to suggest that this practice be dropped, since we have so many missions these days and I see no point in trying to distinguish too sharply for this purpose between one kind of mission and another.

If the problem is that there are people on missions who are here temporarily, then perhaps you might wish to have them listed separately under some heading like "people on temporary assignment".

Mr. George Kalmanoff

June 14, 1967

Irving S. Friedman

DAC-OECD - Suppliers' Credits Study

I would appreciate your taking care of this; preparing a reply for me and being ready to participate in such a meeting, if agreeable to Mr. Kamarck.

Attachment: Letter of June 8 from Arthur Karasz

Mr. George Kalmanoff

June 14, 1967

Irving S. Friedman

1. At yesterday's Board Meeting, Mr. Merchant referred to a DAC report on shipping credits in which it was agreed that credits for the purchase of ships should be limited to six years. Could you get me a copy of the report. I would, of course, be glad to have any comments you might have.

2. I am attaching a memorandum on the Tenth Session of the Working Party on UNCTAD Issues. You will note on page 3 reference to an action group. Could you find out for me what this is all about.

Attachment: Memorandum to Files from Mr. Ziegler of May 29, 1967

INTAMBANC
BUENOS AIRES

June 14, 1967

L.T.

ARGENTINA

ATTENTION GUSTAVO LAGOS

PLEASED TO AGREE IN PRINCIPLE TO AVRAMOVIC ATTENDING SEMINARS IN NOVEMBER

REGARDS

WOODS

Irving S. Friedman
Office of the President

Cleared with and cc: Mr. Avramovic
Mr. Chaufournier
Mr. Kamarck

Mr. George D. Woods

June 12, 1967

Irving S. Friedman and Andrew M. Kamarck

New Perspectives for the Middle East

1. The shock of defeat for the Arab community could represent a turning point for the Middle East if the Arabs desire a constructive alternative to the bitterness and renewed hopes of revenge that the defeat will otherwise surely bring. Nasser, particularly, and the other Arab leaders should at this time have available an imaginative goal that they and the Arab masses can seize on and devote their energies to. This alternative goal can be summed up as: To achieve modern development by 1990 - a feasible goal because of the vast natural resources of the area.
2. The Arab leaders must above all realize that their defeat by the Israelis is due principally to their economic backwardness. Only if it is fully accepted by the Arab leaders that the lesson of their defeats is the need for economic development can the real opportunity of the Middle East be fully grasped. Only if this is accepted and there is willingness to have the energies and resentments of the Arab world channeled into doing what is necessary to achieve development, can the second important part of this proposal come into play -- that is, the mobilization of international aid and technical assistance into a major coordinated program of Middle East development.
3. What is proposed, in brief outline, is the following: The Western powers including Japan, and also including the Soviet Union, if possible, would agree to support a major generation-long development effort for the Middle East, to be organized and carried out by the World Bank Group. All of the powers having a major interest in the stability of the Middle East should be asked to participate. Their contribution would be initially through the immediate replenishment of IDA at the \$1 billion a year level or its graduated equivalent and through their willingness to give the Middle East a high priority in the supplying of technical personnel for studies, project preparation, teaching, management.

All of the major oil producing companies would be asked likewise to make a major effort in providing personnel and help in training and guiding Arab personnel and enterprises, along the lines of the valuable Aramco experience in Saudi Arabia.

The oil-producing Arab countries would use their oil revenues to help finance development in their own countries and in other countries throughout the area.

The World Bank Group would take the responsibility to work out the outlines of a generation-long plan for the area, utilizing for this purpose whatever expertise is available from the other U.N. organizations such as UNESCO, FAO, ILO for manpower training, etc. The World Bank Group would also manage the financial contributions from the donor countries as well as guide the finance flowing from one country to another within the area.

4. Initially it is unlikely that the technical expertise and experience of the Israelis could also be drawn on directly for this purpose. But, the objective would be, as time went on, to bring them gradually also into this development effort -- perhaps, at first, only by parallel action and later by direct cooperation. While feelings run deep in the Middle East, there is no reason why as the Arab countries move into a technological higher income civilization that they should maintain any deeper resentments than the Germans who have lost valuable territories in the East or the Japanese who have seemingly sublimated their defeats of a generation ago in their success in achieving rapid growth.

5. Proposed immediate steps

(a) The United States Government has, as you know, already set up a committee to consider its Middle Eastern program. Similar steps are probably being taken in other major capitals of Europe. The latest reports are that President Nasser and King Hussein are beginning to emphasize the need for getting down to the tasks of reconstruction and development. If the World Bank Group is to be a mechanism for a new approach, there presumably has to be a combination of the following:

- (i) Willingness of the World Bank management to take on the job.
- (ii) Desire on the part of the member countries, particularly those most intimately involved, to have the World Bank Group take on the job. However, it cannot be assumed that they would think of this possibility for themselves, although they might welcome it, if approached.
- (iii) Willingness on the part of the Arab countries to have the World Bank take this lead, which must involve on their part an eagerness to turn from an emphasis on military and political activities, to economic development and growth.

(b) If the idea seems sensible, the first step would then be to find out whether such an approach is considered helpful and agreeable to those most concerned. This would involve contact with the leading European countries, Japan, the United States, and at least the principal Arab countries. It might also involve informing the Israelis at some early point, particularly if there is a positive response, so that they do not misunderstand the motivation of the suggestion.

(c) The channels of communication with Western Europe, Japan and the United States are relatively easy for us, despite the break in diplomatic relations by certain Arab countries with the U.S. and others; however, channels of communication with the Arab countries are much more difficult. Moreover, what we know about this area is now simply out of date because of the most recent events. It would, however, be quite possible to find some suitable person, or persons, on the Bank's staff to do, as soon as possible, a quick tour to ascertain the feelings, with particular reference to attitudes for the need for development, and towards the Bank Group in particular, if the

Arab countries were willing to have such a visit. We would include all the Arab countries.

(d) If something like this is done, we would have to make crystal clear that unless IDA were put immediately into funds so that there was no doubt about its financial ability to do its part of the job, the World Bank Group could not undertake this kind of responsibility.

PHILIP LAND
PUGI
ROMA

JUNE 12 1967

LT

ITALY

GLAD TO SEE YOU AT BANK ON MONDAY JUNE 19 (STOP) HAPPY TO
HAVE YOU FOR LUNCH AT ONE PM OR IF NOT FREE AT ELEVENTHIRTY STOP
REGARDS

FRIEDMAN
INTBAFRAD

Irving S. Friedman
Office of the President

June 12, 1967

My dear Raj,

I do want to express my congratulations on your appointment in something more than a telephone call or a handshake.

It has been a long time since our first meeting over in the Exchange Restrictions Department, and I take considerable pride in having introduced you to our Bretton Woods institutions. We have done a lot of things together and I hope we will be doing more in the future!

Congratulations again from Edna and myself.

With warm regards to Hilda and yourself,

Yours,

Irving S. Friedman

Mr. James S. Raj
Vice President
International Finance Corporation
Washington DC

June 9 1967

Dear Maurice,

I enjoyed my visit the other day and am grateful to you not only for the dinner and the time spent with you, but for giving the visit a purpose and enthusiasm which was most attractive. I do hope we will have repeated occasions for such exchange of views.

I think your idea about the basic research institute was very good and as you suggested am giving it further thought and will discuss it, completely off the record, with a few of my colleagues here.

As promised I am enclosing some literature on the Pro Deo Conference. For your own information you might be interested in having a copy of the invitation which came to me.

With warm regards,

Yours sincerely,

Irving S. Friedman

Mr. Maurice Strong
Director General
External Aid Office
75 Albert Street
Ottawa 4,
Canada

Mr. George D. Woods

June 9, 1967

Irving S. Friedman

Annual Report - Part II

I gather that at the Senior Staff Meeting the other day, which I did not attend because I was in Ottawa, the question arose as to the size of the Annual Report. The draft of Part II is now being circulated to the members of the Economic Committee with a copy to yourself, the President's Council and other senior officers of the Bank.

I have checked out the size of Part II, and it has been discussed with Harold Graves. Part II, as now drafted, is virtually the same size as the draft of Part I and somewhat shorter than the Part II version of last year.

DECLASSIFIED

CONFIDENTIAL

Mr. George D. Woods

AUG 16 2023

June 9 1967

Irving S. Friedman

WBG ARCHIVES

Memoranda on IDA Replenishment and U.S. Balance of Payments

I think that in connection with the IDA discussions, and particularly your forthcoming discussions with Secretary Fowler, you will find it worthwhile to read the following summary of memoranda exchanged with the U.S. Government people on IDA replenishment and the balance of payments.

November 1965: A "Model illustrating effect on U.S. balance of payments of assumed increase in contributions to IDA" (November 4) was prepared by IBRD staff and given to the U.S. Executive Director and informally to other U.S. officials. In the model, it was assumed that a replenishment of \$450 million per year would be supplemented by a loan or an additional contribution of \$500 million per year from the U.S. The results shown in the model were that a decision in the summer of 1966 to proceed with the combined replenishment and additional contribution would not produce any marked increase in the effects of IDA operations on the U.S. balance of payments until fiscal 1968/69.

December 1965: In an address to the Atlantic Council on December 4, Secretary of the U.S. Treasury Fowler proposed an increase in U.S. contributions to IDA, provided other countries would do the same. He suggested that arrangements should be worked out so that the expanded obligations need not be performed by those developed countries in serious balance of payments difficulties; he argued that countries in balance of payments surplus should assume increased responsibilities in development aid.

January and March 1966: In two memoranda (January 28 and March 1) to Mr. Woods from Mr. Friedman, commenting on the abovementioned speech by Mr. Fowler, it was suggested that it might be possible to work out a scheme of IDA replenishment which would include balance of payments safeguards along the following lines: part of a country's contribution would be postponable if the country was in balance of payments difficulties; payments to IDA by other countries would be correspondingly accelerated; the IBRD transfer (and other resources) could be used to cover any temporary disparity between postponements and accelerations; the IMF if willing to do so, might determine when the balance of payments of a country justifies postponement. (Copies of the second memorandum were sent informally to various interested U.S. officials, including those in Treasury - Messrs. Trued and Deming).*

July 1966: In a note distributed to Executive Directors (July 14) Mr. Woods proposed IDA replenishment of \$3 billion, made up of \$1 billion per year for three years beginning in FY 1969/70. He observed that there would be no significant impact on the balance of payments for three years, and that the impact would be mitigated by indirect effects of IDA financing of local costs in borrowing countries.

*The second memorandum makes all the points noted in this paragraph.

September 1966: In response to informal requests from the U.S. Treasury, Mr. Friedman prepared a note (September 16) on methods of mitigating balance of payments effects of the proposed replenishment; these included a variety of schemes for modifying payments to IDA by contributing countries on the basis of their balance of payments situations, with special attention to the difference between a contribution and IDA-financed procurement in the contributing country. Tables (September 19, revised September 30) were also submitted to Treasury projecting the effect on the U.S. balance of payments of the proposed replenishment of \$1 billion per year.

U.S. Treasury officials (September 17) gave IBRD staff a set of tables illustrating a variety of systems of replenishment. These were based on the principle that countries in over-all balance of payments surplus would assume larger shares of IDA replenishment, thus relieving those in over-all deficit such as the U.K. and the U.S. The relief was considered to be absolute, rather than a postponement or a loan. The U.S. contribution would thus range between \$124 million and \$165 million within a total replenishment ranging from \$500 to \$926 million per year.

Mr. Friedman supplied U.S. Treasury officials with a paper and tables (September 21) setting forth an "Example of Operation of IDA collective pool of \$500 million where contributions are adjusted to offset balance of payments effects"; the pool constituted one-half of proposed annual contributions of \$1 billion. During September other tables were also furnished to the U.S. Treasury illustrating alternative systems of postponing all or part of drawings in excess of procurement in a contributing country in serious balance of payments difficulties; they also illustrated the possible functioning of the Swedish proposal (described below).

At the Annual Meeting (September 26-30), Mr. Ball, Temporary Alternate Governor of the Bank for the U.S., reiterated the views expressed by Mr. Fowler the preceding December (see above).

At the same meeting, Mr. Wickman, Temporary Alternate Governor of the Bank for Sweden, proposed a replenishment of \$500 million in the first year, \$750 million in the second, and \$1 billion in the third; supplementary contributions, which would add 50 per cent to these amounts, could be postponed by countries in serious balance of payments difficulties, as evidenced for example by outstanding IMF drawings in the credit tranche; the resulting combined total of \$3,375 million would exceed the level of the proposed replenishment by \$375 million in order to overcome uncertainties imposed on IDA by the postponement rights.

October 1966: The so-called "Demuth-Zagorin" plan (October 6) was forwarded by IBRD to the U.S. Treasury. It provided for a replenishment of \$3 billion over four years, as follows: \$525 million in 1968/69, \$675 million in 1969/70, \$825 million in 1970/71 and \$975 million in 1971/72. Contributions would be divided into a conditional one-third and an unconditional two-thirds. The conditional third might be either a grant or a loan; it could be used to cover 50 per cent of the amount of IDA-financed procurement in the contributing country; it would accumulate, remaining available for possible use for a period to be agreed. Encashment of unconditional contributions from countries in balance of payments difficulties might be postponed until after that of other countries at discretion of IDA management.

December 1966, January 1967: Treasury officials suggested that IBRD staff prepare tables illustrating possible variations (described in an agreed Aide-Memoire of December 7) of the Demuth-Zagorin plan. Suggested assumptions included the following: country contributions of \$2.4 billion would include \$600 million in 1968/69, \$800 million in 1969/70 and \$1 billion in 1970/71; the contributions would be divided into conditional and unconditional halves; unused portions of the conditional half would accumulate, rather than lapse; postponement of the unconditional half would be for three years.

IBRD staff prepared a set of tables (December 8) illustrating the assumptions suggested by the U.S. Treasury. In ensuing weeks, further tables (e.g., those of January 18, 19, and 20) were prepared, illustrating further variations suggested by U.S. Treasury, including adjustment of the proportions to 40 per cent conditional--60 per cent unconditional, and reduction of the U.S. share of the replenishment to 40 per cent.

March-April 1967: IBRD staff gave the U.S. Executive Director a table with notes, (March 13, revised April 10) illustrating a replenishment proposal (hereinafter referred to as the "Woods Scheme") providing for end-of-queue postponement and no conditionality.

The U.S. Secretary of the Treasury, Mr. Fowler, responded formally (March 31) to Mr. Woods's proposal of the preceding July (see above) for IDA replenishment. He suggested a replenishment of \$2.4 billion, with \$600 million in 1968/69, \$800 million in 1969/70 and \$1 billion in 1970/71; the U.S. share of these amounts would be 40 per cent; 40 per cent of the contributions would be conditional, accumulating if unused, unless released by the donor; 60 per cent would be unconditional, but postponable for at least three years. He noted that end-of-queue postponement, suggested by IBRD staff, might be applied to the unconditional 60 per cent; he undertook to give further consideration to this proposal, but suggested that donor countries would want assurance in the form of a letter of intent from IDA management, giving its best judgment of the degree of balance of payments protection the arrangement might be expected to provide.

Mr. Woods circulated Mr. Fowler's response to Executive Directors with an accompanying letter (April 12); the letter summarized Mr. Fowler's suggestions and also described the "Woods Scheme" (see above). He proposed (April 26) a meeting of senior officials of IDA Part I countries to be held in Paris May 8-9.

Mr. Irving S. Friedman

June 9 1967

Roger Adams

The Pro Deo University

This institution is not listed in the UNESCO directory the "World of Learning" nor in the directory of the International Association of Universities. The New York Times Index does not mention it. From Father Morlion's article in "The Manager" it appears that:

The University, which is private and interdenominational was founded in 1948. There are departments of economics and business management, industrial and labor relations and political science. Regular seminars for businessmen are also held.

In 1957-58 the number of students amounted to 1,542 coming from 26 countries. In 1956 an Association of Friends of the University was founded including prominent people such as Mr. Henry Luce (Time, etc.) Mr. Valetta of Fiat, and on the academic side Professor Guisepppe Del Vecchio. The Pro Deo University claims to have been the first to have introduced the American type education in business management in Europe.

INTBAFRAD
PARIS

June 9, 1967

LT

FRANCE

461 FOR DELESSEPS

UNABLE ATTEND BASLE MEETING BECAUSE NOT FEELING WELL STOP HAVE SO

INFORMED FERRAS

FRIEDMAN

Irving S. Friedman

Office of the President

Mrs. Shirley M. Armstrong

June 6, 1967

Bimal N. Jalan

Asian Trip

I was travelling with Mr. Friedman on this trip - following his itinerary. The travel request was approved by Mr. Friedman. I recall, however, that the Los Angeles stop was added at the last moment.

DECLASSIFIED

AUG 16 2023

Personal

Mr. George D. Woods

June 6, 1967

WBG ARCHIVES

Irving S. Friedman

Possible Modifications in the Terms and Conditions Covering the IDA Replenishment Proposals

Assuming we are continuing to advocate a large replenishment of IDA in the magnitudes of the original "Woods proposal" or the U.S. proposal, there is still the possibility of changes in the so-called terms or conditions. If we are to consider possible modifications in the IDA replenishment terms or conditions, two questions arise, which are, of course, opposite sides of the same coin:

1. How could the conditions in the United States proposal be modified to make them possibly acceptable to other countries?
2. How could the "Woods Scheme" be modified to make it possibly acceptable to the United States?

To insure that any proposal is within a framework acceptable to the IDA management the suggestions made below are based on the following assumptions:

- (a) The maintenance of international competitive bidding.
- (b) Safeguards for countries in serious balance of payments difficulties with any international judgment, if required, made by the IMF.
- (c) Any safeguard applies only to those funds not used for procurement in the contributing country.
- (d) No manipulation of project or country selection by IDA management.
- (e) The IDA management would not take any abnormal risks in making credit commitments, i.e., it would want to have assurance of availability of funds against any credit commitments.

Possible Modifications in U.S. Proposal

The U.S. proposal consists of two distinct parts, the conditional contribution and the so-called unconditional contribution.

The conditions governing the conditional contribution might be modified as follows:

- (a) Changing the proportions between conditional and unconditional contributions. If the conditional contributions were reduced to about 20% to 25% of the total contribution, the proposed U.S.

technique could work and all or virtually all of the conditional funds would be used. This would eliminate both the fears that the existence of unused funds would act as pressure on the IDA management and would reduce the impact on burden-sharing, making it more clearly temporary.

(b) Changing the definition of "identifiable procurement". This could be done by pro-rating local and unidentified disbursements, e.g., according to the pattern of identifiable disbursements. If this is done, then it is possible to assume that the U.S. would receive about 24% to 25% of total IDA procurement instead of the 18% based on historical experience with identifiable procurement. However, this would still leave about 10% of the total U.S. contribution unused if the conditional portion still remains 40%. If the conditional portion were reduced to 30% then the same effects as (a) above would be achieved, i.e., likely total usage or something very close thereto. (From the U.S. point of view this would mean that any balance of payments relief would come from the terms given to the unconditional contribution. It may be noted that, the smaller the conditional contribution, the larger the amount of balance of payments relief that would result from any agreed method of treating the unconditional contribution.)

(c) The maintenance of the 60/40 ratio, but postpone any unused part of the conditional portion for three years (or less if no longer needed for balance of payments reasons). By having a definite period placed on the postponement of the unused portions of conditional monies the fear of undesirable pressures on IDA management would presumably be reduced. Moreover, the impact on burden-sharing would be considerably less and more clearly temporary. It would maintain the appearance of relating a portion of the U.S. contribution to procurement. It would still be possible, as seen below, to distinguish it from the unconditional portion. This three year postponement feature may prove possible without endangering IDA's commitments because it represents a relatively small amount of funds, given the pattern of IDA disbursements. Knowing that these small funds would be available at the end of three years may make it safe to proceed to make credit commitments against the entire conditional amount.

(d) The maintenance of the 60/40 ratio, but postpone any unused part of the conditional portion until the end of queue or until no longer needed for balance of payments reasons. This suggestion would have a number of advantages of (c) above, but, to be acceptable to other countries, would presumably have to be available when needed by IDA. From the U.S. point of view it might be somewhat less attractive than a firm three-year postponement.

The conditions with respect to the unconditional contribution might be modified as follows:

(a) End of queue treatment: Our analysis shows that we could give Secretary Fowler the kind of assurance he seems to be looking for in connection with end of queue treatment for postponed unconditional parts. The U.S. could probably easily accept the limitation that the end of queue treatment would end when a country was no longer in balance of payments difficulties or otherwise indicated it no longer wished to be so treated. This could conceivably be combined with a three-year postponement for unused conditional funds, as suggested above, or, of course, with the other suggested changes in the use of the unused conditional tranche.

(b) Three-year postponement: If the end of queue seems like too vague a concept for presentation by the U.S. to Congress, it is even conceivable that we could let them have three-year postponement along the following lines. In a letter to the U.S. Government we could indicate that the expectation would be that the three-year deferment would prove practical. If funds were needed to insure the financial solvency of IDA against unforeseen contingencies, it is understood that the U.S. would do all possible to be helpful. There would, of course, be hesitancy within IDA to say this, since basically we are talking about an unknown period of time, namely the next three years or four years. It might be possible to permit three-year deferment if we were prepared to accept the practice that for the next year or two we would hold back on our commitment rate so that in effect the World Bank contribution (or the equivalent contributions by donor countries) was kept as a pool of reserve funds to meet contingencies. This is the way in which it might very well work out in practice in any case, if credit commitments tend to lag somewhat. Another possibility is keeping industrial import loans down to the levels of earlier years. Still another possibility is to contemplate IDA borrowing against known receipts in three years or less; in this connection it may be of interest to note that one U.S. Treasury official made the informal suggestion, during working level discussions, that IDA might sell to the IBRD (or to other buyers) the U.S. three-year notes received at the time of the postponement.

Possible Modifications in the "Woods Scheme"

The problem can also be approached as how to modify the "Woods Scheme" to make it acceptable to the United States. The balance of payments restraint in the "Woods Scheme" may seem too uncertain. There also may be some feeling that given the mood of the Congress some of the U.S. contribution ought to be clearly related to -- even tied to -- procurement in the U.S.

June 6, 1967

This can be accomplished by reintroducing the concept of both conditional and unconditional contributions as suggested above, or by granting the end of queue treatment for the entire postponed amount for a definite period -- three years -- if the country continues in balance of payments difficulties. As suggested above this may be possible if the World Bank contribution or some portion of donor contributions are, in effect, regarded as a reserve pool of funds.

I believe that the above proposals are "feasible" on the basis of past work, but would be glad to check them out if you think they are worth exploring.

It is perhaps needless to add that I don't like the two-tranche approach of conditional and unconditional contributions. I would hope that we would not suggest any modification of the present "Woods Scheme" -- conditions or magnitudes -- unless circumstances gave us no alternative. It is for this reason that I have been reluctant thus far to participate in discussions on alternatives to the "Woods Scheme". -- whether of magnitudes or conditions.

I still believe that adherence to advocating the basic principles which have made IDA respected will in the end give us the largest and most satisfactory replenishment. I appreciate that some countries, particularly the French, may not be as admiring of IDA as other countries. Even in the case of the French, however, I can see their going along with a large replenishment of IDA rather than being the country which is regarded by the LDC's as responsible for a sharp reduction in multilateral aid on concessional terms.

Mr. J. Burke Knapp

June 5 1967

Irving S. Friedman

Tables on IDA Replenishment

Attached hereto is the projection of IDA drawings under the "Woods Scheme".

You will note that on the assumption that the U.S. is the only country at the end of the queue there is a high degree of probability that the U.S. would have complete balance of payments relief until 1972/73. It is based upon historical experience and in my opinion is a conservative estimate with considerable margin of safety.

Table 2 is deliberately drawn up on a very conservative basis. It assumes that Canada, France and the U.S. all are in continuous balance of payments difficulties, i.e., throughout the period, and all request postponements. This is a very pessimistic assumption not only because it is not likely that all three countries would be in persistent balance of payments difficulties, but that such difficulties would be experienced by those very countries whose patterns of procurement in IDA have been the most unfavorable from their own points of view. My judgment is that this set of assumptions is so pessimistic as to be unreal. It may be noted that on these assumptions the degree of balance of payments relief for postponing countries is, or can be, 100% in 1967/68, 94% in 1968/69, 81% in 1969/70, and 100% in 1970/71.

We also worked out the combination of the U.S., United Kingdom and Finland being in continuous balance of payments difficulties and all requesting postponement, and found that the results were virtually the same as those obtained for the U.S. alone, as shown in Table 1.

We have deliberately not tried to modify the "Woods Scheme". It is, of course, possible to work out a number of modifications if it were decided that such modifications were desirable.

Attachments

cc: Mr. Woods
Mr. Demuth
Mr. Cavanaugh
Mr. Nurick
Mr. Baum

June 2, 1967

Dear Monsignor Gremillion:

Thank you for your letter of May 24, 1967. It was indeed a very great pleasure for me to see you and Monsignor Bordelon in Washington, and to have this opportunity of sharing some thoughts with you.

Mr. Jalan, who was present at our meeting, has made a record of our conversation, a copy of which I have sent to Mr. Woods who is still away from Washington. I enclose a copy of these minutes and hope that it will suffice for the purpose you mention.

I plan to be in Rome from June 22-24 (probably staying at the Grand Hotel) to attend the International Pro Deo Council meeting. In case your schedule permits, I would be glad to call on you at the Vatican. I also note that Father Philip Land will be in Washington during the latter part of June -- I hope that the dates of his visit will not coincide with the period I expect to be away from Washington. However, I have informed Mr. Kamarck of Father Land's plans.

With warm personal regards,

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Monsignor Joseph Gremillion
Pontificia Commissio Justitia et Pax
Casa Santa Marta
Vatican City
Rome, Italy

cc: Mr. Kamarck

**INTBAFRAD
PARIS**

JUNE 2 1967

LT

FRANCE

**NO. 451 FOR DELESSEPS WILL BE ATTENDING BIS ANNUAL MEETING
ARRIVING SATURDAY SWISSAIR FLIGHT 740 AT 8:30 AM STOP HOLD CONFIRMED
RESERVATION SCHWEITZERHOFF MTER REGARDS**

FRIEDMAN

Irving S. Friedman

Office of the President

June 1 1967

Mr. Patrick Reid:

Pat,

Apropos our discussion the other day the following is my planned schedule for the visit to Ottawa:

Lv. Baltimore	EA 174	7:20 pm	June 6
Ar. Ottawa		9:34 "	
Lv. "	EA 173	7:30 am	June 8
Ar. Baltimore		10:03 "	

I would be very happy to call on Bryce or any other people you think might be interested in a chat while I am there. At the moment I have no appointments, although I think that on Tuesday evening I will be going straight from the airport to visit the Isbisters. I have a confirmed booking at the Chateau Laurier.

Irving S. Friedman

INTERBANK
BASLE

JUNE 2 1967

LT

SWITZERLAND

FOR FERRAS THANK YOU FOR INVITATION PLEASED TO ACCEPT

REGARDS

FRIEDMAN

Irving S. Friedman

Office of the President

ASIANBANK
MANILA

JUNE 5 1967

LT

PHILIPPINES

FOR KRISHNA MOORTHY

KAMARCK AND I WILL BE GLAD TO SEE HOWARD FARRELLY JUNE 19 OR

20 SINCE I AM PLANNING TO GO TO ROME ON 21ST STOP WARM REGARDS

FRIEDMAN
INTBAFRAD

Irving S. Friedman
Office of the President

*All copies to
Broches 6/5*

June 5, 1967

Dear Mr. Evans,

I must apologize for not replying sooner to your letter of May 9, 1967. I have been out of the country and also wanted to give your letter the thought which it merited. I would like to say at the beginning that, as Mr. Fawcett has probably already told you, I am an economist by profession and will not try to comment on the legal aspects.

I am very sympathetic to your idea of trying to quantify the legal obligations which all member countries have under the UN Charter. I can well appreciate the reasons which motivate your thinking. I myself have tended to shy away from any kind of formula of the kind suggested for fear that it would prove too rigid and unrealistic over time. However, this may be wrong and perhaps in the end a poor formula is better than no formula at all.

I believe that some of the Bank staff would feel that it would be better if first a substantial number of governments were able to reach agreement on a political commitment to cooperate along certain general lines. After this step, consideration could be given to whether eventually some kind of binding convention with a built in formula for creating a regular flow of resources for development could be contemplated. In any case experience would indicate that such undertakings are very time consuming, so that perhaps there is no harm in proceeding simultaneously with a number of different thoughts which go in the same direction. However, I would urge that you try to test any idea by the criterion of whether it has a chance of eventual international acceptance -- I would, however, not necessarily be guided by views that prevail at the moment.

I am taking the liberty of sending a copy of this correspondence to Mr. Broches, our General Counsel, for any further comment he may think appropriate.

With best regards to Mr. Fawcett and yourself,

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. Gordon Evans
Secretary for Economic and Social Affairs
United Nations Association of Great Britain
and Northern Ireland
93 Albert Embankment
London. S.E.1

June 2, 1967

Dear Dr. Shah:

Thank you for your letter of May 17, 1967.

The World Bank Staff papers on India's external debt, which you requested, will be sent to you through the office of India's Executive Director, Dr. K. S. S. Rajan. These studies were prepared for the meetings of the India Consortium and deal mainly with forecasts of debt service payments by India, possible relief on such payments, and appropriate terms for future aid. I hope that you will find them useful.

I am happy to learn that your paper on a Development Assistance Payments Union will appear in Economia Internazionale.

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Dr. V. G. Shah
Economic Adviser
Embassy of India
585, Avenue Louise
Bruxelles, Belgium

ISFriedman:PdeFontenay:mk

PERSONAL

DECLASSIFIED

June 2, 1967

AUG 16 2023

WBG ARCHIVES

Dear Carl:

You may find the attached table of some interest.

I am looking forward to our seeing each other soon, and perhaps we can chat about this subject among others.

Sincerely,

Irving S. Friedman

Mr. Carl Marcy
Chief of Staff
Committee on Foreign Relations
United States Senate
Washington, D.C.

June 2, 1967

The Director General
The Nigerian Institute of International Affairs
9, Awolowo Road
GPO Box 1727
Lagos, Nigeria

On behalf of my wife and myself I wish to thank the Chairman and Members of the Council of The Nigerian Institute of International Affairs for the invitation to be present at the formal opening of the Institute's headquarters on June 15.

This is a most auspicious occasion, and I regret that my wife and I will be unable to attend. I do wish to extend my congratulations for the success of the Institute and hope to have an opportunity to visit it at some future date.

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

Mr. F.A.G. Keesing

June 2, 1967

Irving S. Friedman

Lecture at the IMF Institute

I would be very pleased to lecture your participants on Friday, June 30, at 9.30 a.m. The subject "The IMF and the IBRD" seems fine.

Mr. Harold N. Graves

June 1, 1967

Irving S. Friedman

"U.S. Balance of Payments and Economic Development"

Isaiah Frank has suggested to me that we print this address for circulation outside the Bank.

Attachment

Mr. J.H. Williams

June 1, 1967

Irving S. Friedman

Economics Staff

In agreeing to a standstill on the number of economics staff in the Bank and also on a decrease at this time in the total number of full-time professional staff in the Economics Department, I think it would be useful to register the following for future reference:

- (1) I am concurring in the above two actions because of a desire to ensure that we will concentrate in the next year on the effective training and best use of our economics staff throughout the Bank.
- (2) I believe that experience will demonstrate, as I have said on various occasions to the President and to the Executive Directors, that our economics staff is still too small to do the high priority jobs we should be doing - which involve both new tasks and the expansion of old ones. This is particularly true if we give consideration to the need for finding time for the re-training of our existing staff to ensure that they are brought up to date in their economic knowledge.
- (3) I am convinced that treating the economics staff as a single group in which individuals are on temporary assignment to various departments, is essential for the most efficient use of the staff and avoidance of overlapping as well as ensuring better morale and improved career opportunities. I believe that your efforts have made a big step towards achieving this in practice.
- (4) The Economics Department as such is very much a multi-purpose department which parallels at least four departments in the Fund, i.e. those departments whose central function is economics and which are not area departments. Because the Economics Department has all of these functions, including acting as a hostel for people for Mr. Avramovic and myself, the number of professionals is bound to be large, and what is worse, look very large to those who are not involved with economic tasks and responsibilities and do not have a basis for judging needs.
- (5) I am now convinced from my experience in the Bank that the economic work in the Bank, however defined, is simply more consuming in personnel than the work in the Fund because of its broader character, even assuming that the fullest use is made of the work done by the Fund and others; this has nothing to do with how the economists ought to be organized.

June 1, 1967

- (6) I believe that it would be well for the Economics Department to have a period of time to digest its new personnel, as well as to put itself in the position to assume new tasks. It would not be surprising if there are some who are not being fully utilized because of the lack of supervision. However, I feel that to do its many distinctly different duties it should not be regarded as over-staffed and, if anything, understaffed in the longer run. We have interrupted what was the original staffing plan we had for the Economics Department. This is probably all to the good, but there is the danger that our action will be misread as indicating that we have concluded that the Economics Department is either too big, or at least big enough, for the foreseeable future.

I believe that it is essential to proceed with the appointments of Assistant Directors of the Economics Department in order to provide it with a working administrative structure. I believe the Assistant Directors should be of such a caliber as to equate in reputation and status with at least Deputy Directors if not Directors in smaller departments. I also believe that the decrease in the number of professional positions in the Economics Department should take place through the Department's being allowed to shed those functions and staff involved that it has had to take on where these are extraneous to its work. I appreciate that this also is a matter of personnel as well as budgeting and program evaluations but it is hard to keep the two separate.

cc: Mr. Ripman

Dr. Shah

May 31 1967

Mr. Leon

1021

Would you please handle? I would
appreciate a reply for my signature.
Thanks.

**ISBLISTER
DEPUTY MINISTER OF
ENERGY MINES & RESOURCES
OTTAWA**

JUNE 5 1967

LT

CANADA

THANKS YOUR LETTER (STOP) LOOKING FORWARD TO SEEING YOU.

FRIEDMAN

**Irving S. Friedman
Office of the President**

May 31 1967

Dear Father Morlion,

Thanks for your telegram of May 24. A cable from Monsignor Ferrero, Chairman of the International Pro Deo Council, arrived today confirming your invitation. I am looking forward to what promises to be a most interesting meeting.

Thus I am planning at the moment to go, but, as I explained during our talk in my office, I cannot be sure what I will be doing in June until Mr. Woods returns from Europe -- particularly because of our current discussions relating to the relationship of the resources of the International Development Association (IDA).

Thank you also for the Pan American reservation, which seems the most convenient of the direct flights to Rome. Unless you have the flight specially chartered, my office will handle transportation here. I am requesting accommodation at the Hassler Hotel.

I am delaying sending a cabled reply to Monsignor Ferrero until Mr. Woods returns, which I expect will be next Monday.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Father Felix Morlion
Pro Deo
120 East 56 Street
New York, N.Y.

May 31, 1967

Dear Father Morlion:

Thank you for your telegram of May 24. A cable from Monsignor Ferrero, Chairman of the International Pro Deo Council, arrived today confirming your invitation. I am looking forward to what promises to be a most interesting meeting.

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Thank you also for the Pan American reservation, which seems the most convenient of the direct flights to Rome, however, my office will handle transportation here. I am requesting accommodation at the Hassler Hotel.

I am delaying sending a cabled reply to Monsignor Ferrero until Mr. Woods returns, which I expect will be next Monday.

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

Father Felix Morlion
Pro Deo
120 East 56 Street
New York, N.Y.

May 31 1967

Dear Andy,

Thanks for the Palace Hotel reservation -
the \$25 deposit is enclosed herewith.

I am scheduled to arrive in Milan at
11:20 on Friday morning and will look for
you at the Congress Hall.

Sincerely,

Irving S. Friedman

Mr. Andrew Rice
Society for International Development
1346 Connecticut Avenue NW
Washington DC 20036

May 31, 1967

Mr. Jalan

1026

Please prepare reply. Could send copy of
minute to file and indicate sent to Woods.
Also could ask to see him during June visit
to Vatican. Show reply to Kamarck.
Thanks.

Irving S. Friedman

(Letter from Mons. Joseph Gremillion of
May 24, 1967)

Mr. Andrew M. Kamarck

May 31, 1967

Irving S. Friedman

PARAGUAY

Why not to Board? Don't want pattern re-established of only showing interest in economies where loan operations are contemplated. Board sees only what is circulated to it.

Mr. Kamarck

May 29 1967

Irving S. Friedman

Bank Economists

You and Mr. Stevenson may wish to discuss this with me but please do not discuss it with Mr. Williams before talking to me.

Attachment: J.H. Williams memo
"Bank Economists" May 26 1967

Mr. Bela Balassa

May 29, 1967

Irving S. Friedman

Lectures on "Economic Development and Integration"

Thank you for letting me have a copy of your booklet of lectures on "Economic Development and Integration;" I know I will find it most useful.

Mr. David Kochav

May 29, 1967

Irving S. Friedman

Annual Report

At our meetings there is one question I keep forgetting to ask!
How does the size of the current annual report compare with last year's
and the year before?

May 26, 1967

Dear Wynne:

I am attaching a copy of my paper.

I have not had a chance to proof read it and may like to make some changes, but I do not expect them to be important. I thought you would rather receive this as a very advance draft so that it could be passed on to the Discussant. I hope you do not find it too disappointing!

Looking forward to seeing you soon.

Yours,

Irving S. Friedman

Mr. Kamarek

May 26, 1967

Irving S. Friedman

Economic Seminars

I see no reason why Executive Directors should not be invited
to all Economic Seminars.

cc: Mr. Mendels

Mr. M. Mendels

May 26, 1967

Irving S. Friedman

Documents

I would like to request that in the case of Economic Reports the note on the front page be changed to eliminate the sentence:

"They do not accept responsibility for its accuracy or completeness."

If there is a question of the role of the responsibility of Executive Directors involved then I would suggest that the first sentence be amended to read:

"This report was prepared by the staff for use within the Bank and its affiliate organizations."

I will wish to come back to you at some future date on the question of the last sentence but this is a separate matter.

I have been queried a number of times on why we have the present second sentence and if this means we do not take responsibility for our own work. I think that whatever we say we are accepting responsibility for the accuracy and quality of our economic work. Whether this sentence should be kept in other non-economic documents is something for others to say.

DECLASSIFIED

PERSONAL

May 25, 1967

AUG 16 2023

Dear George:

WBG ARCHIVES

Mr. Steckhan kindly asked whether I had anything I wanted to send out to you. I have given him one or two things but thought I would take this opportunity to say a few things in a personal letter.

On the IDA replenishment I have not tried to do very much since Burke left. As you know we are working on how the figures on the "Woods' proposal" in the memorandum of April 12 might work out. Most of the work on this has been done and can be quickly finalized, and will be before you return. As Burke may have told you, I have also been thinking about ways by which we might reconcile the various national positions expressed so far. I have not tried to put anything on paper yet, since it seemed inappropriate at this stage of the negotiations and any ideas might, of course, be very much affected by what Burke is finding out in his talks. Needless to say I am not discussing this with anyone, except to tell Burke that I am doing some thinking along these lines.

I would like to say to you, however, that I think that assuming that any balance of payments restraint has to look much like the U.S. proposal if we are to have U.S. support, a common ground might be found along the following lines:

- (1) Limit any kind of relief to countries in serious balance of payments difficulties.
- (2) Any unused funds in the 40% conditional tranche be subject to a limited period of postponement rather than an indefinite period. (The potentially unused U.S. portion in the 40% tranche is of course much smaller than the potentially unused portion in the 60% tranche. Because of this, I think it will be possible to postpone the use of the unused U.S. portion in the 40% tranche for (say) three years, thus helping to meet the objections that a significant portion of the U.S. contribution virtually never gets used under the U.S. proposal.)
- (3) With respect to the 60% portion, have any postponed portion be at the end of the queue either until needed by IDA or until such time as the country is no longer in balance of payments difficulties, whichever comes first.
- (4) Accelerate the use of any unused or postponed portions when a country is no longer in balance of payments difficulties. (I have some specific suggestions on this if we ever get to consider such ideas more seriously.)

- (5) Continue World Bank contributions of about \$75 million per annum but for a year or two avoid IDA credit commitments against these contributions until the whole picture becomes clearer both as to the pattern of procurement and the U.S. balance of payments outlook and policies.

The U.S. may be willing to accept the "Woods' proposal" if its proposed magnitudes are accepted by others, despite rather strong statements to the contrary by the Treasury boys. It seems a fairly safe guess that the U.S. would be prepared to have considerably less difficult balance of payments restraints at lower levels of replenishment. My own hope is that the U.S. will accept some significant modifications in its suggested balance of payments restraint measures in exchange for the proposed magnitudes and not emphasize that at lower levels the restraints could be less complicated. For the moment I have the impression that they are sitting tight waiting to hear the outcome of Burke's discussions. I am disturbed by the news that people on the Hill are being told that it looks like IDA won't be replenished this year, but long ago learned that nothing is ever clear or certain in this area, including unfavorable (as well as favorable) predictions. The senior U.S. officials seem to be principally concerned during this week with the Inter-American Bank. The Bill has now gone to the Senate Foreign Relations Committee. I gather that about five Senators on the Committee are expected to vote against the proposed increase to the IDB but that it is expected to have majority support. I had always promised myself that I would never get into the "foreign aid" business, and now I know why! (Incidentally, I have been most careful not to stir up people or to muddy the IDA waters.)

I am looking forward to talking to you about a number of things, including of course your India trip, and do hope you will have the time. I am scheduled to address the Canadian Political Science Association in Ottawa on June 7. This is their annual meeting and one afternoon is being devoted to economic development with two people giving addresses. Plumptre, in his new capacity as an academician, will be chairing the session on economic development.

I also hope you are taking some real vacation rather than just moving your office from 1818 H Street to various places in Europe.

With warm regards,

Sincerely,

Irving S. Friedman

FILES

May 23, 1967

Bimal Jalan

Meeting with Mr. Seurat of EUREQUIPE

Mr. Silvere Seurat, President of EUREQUIPE (France), and one of his associates called on Mr. Friedman on Friday May 19. EUREQUIPE is in the business of training workers for industries, mostly in Africa. It recruits workers with little or no education in African countries on behalf of particular industrial enterprises, and trains them in specific mechanical skills within a short period -- which may be as short as four months.

As illustrative of the kind of work EUREQUIPE is doing, Mr. Seurat explained its training procedures in Mauritania on behalf of MIFERMA, the iron-ore mining firm. EUREQUIPE sends its specialists out to Mauritania to recruit Mauritians for the mining industry. Most of the recruits (who are between 20 to 30 years in age) hardly speak any French, so during the training period, which is four months in this case, they have to be taught not only mechanical skills (like driving an engine or a truck) but also some technical French. Most of the training is on the job -- they learn by doing and seeing, and to facilitate communication, the recruits are directly trained by a foreman, who is a European and has himself been trained by EUREQUIPE. Numerous problems arise in the course of training since the recruits have very different habits of living, and they have to be taught even the most elementary tasks. However, EUREQUIPE has been remarkably successful in training these people for work in the industry. They have a ten year program during which Mauritians would gradually take over from Europeans as foremen. EUREQUIPE is doing a similar training job in Algeria for CAMEL Project (which is financed by the World Bank). The educational level of recruits here is much higher (usually pre-B.A.), but they have no technical background; EUREQUIPE has been asked to train them for technical jobs. The period of training in this particular case is 8 to 9 months.

Mr. Friedman said that he was very impressed by what Mr. Seurat had said since the success of EUREQUIPE in training people for industry provided ground for greater optimism in solving the problems of applying technology to industry in less developed countries. If EUREQUIPE experience is generally valid, it showed that the process of training workers in industrial skills does not necessarily have to be a big one -- they don't need the high school or college education to make the technological jump. He wondered whether the EUREQUIPE training methods could be applied on a large scale, and in agriculture too. Mr. Seurat said that the scale of operations was not really important for the success of the training program as long as there was synchronization between training and application on the job. EUREQUIPE was also at present engaged in training farmers for agriculture (groundnuts) in Senegal in association with an engineering firm. The program covered 125,000 farmers over an area of 3 million acres. Mr. Friedman asked whether Mr. Seurat felt that the Government in these countries would successfully undertake a similar training operation on a large scale.

May 23, 1967

Mr. Seurat said that flexibility and freedom to act was of great importance for the success of these programs -- may be that the governments tended to be too slow and rigid. He invited the Bank staff members travelling to Algeria or Mauritania to visit EUREQUIPE and gain the firsthand impression of their training methods.

Mr. Friedman said that the problem of technical development was of interest to the Bank, and he would circulate the minutes of this meeting to the appropriate departments. In response to Mr. Seurat's suggestion, he also agreed to arrange a meeting between Mr. Magdrez (in charge of EUREQUIPE programs in Senegal), who is visiting Washington soon, and some members of the Education and Agriculture Division in the Projects Department.

cc: Mr. B. Bell
Mr. M. Hoffman
Mr. A. Kamarck

Mr. Azevedo

May 23 1967

Daphne McGregor

Authorization for Requisitions

The following people are authorized to sign requisitions in the Office of the President -- The Economic Adviser to the President:

Mrs. M. Louise Richardson (Mr. Friedman's "Group")
Miss Muriel McKinnon

Mrs. Charlotte Morris (Special Economic Studies - Mr. Avramovic)
Mrs. Lois Leach

Miss Ruby Watson (Mr. Friedman's office)

Thank you.

May 23 1967

Mr. Thompson

643

Have you seen this? If not you
may find it of interest.

Recent Economic Reforms in Eastern Europe: Case of Yugoslavia
by Nenad D. Popovic at NY State Economic Association April 15 1967

May 23 1967

Dear Mr. Cooper,

With regard to your letter of May 9 and the request for a 2000 word article, I would be glad to do so.

As the magazine is published annually, could you let me know the deadline for publication? I would be interested also in receiving a copy as it sounds very interesting.

May I thank you and your wife again for your kind hospitality to Mrs. Friedman and myself in Bombay.

With kind regards,

Yours sincerely,

Irving S. Friedman

Mr. R.C. Cooper
President
The Indian Merchants' Chamber
76, Veer Nariman Road
Churchgate
Bombay 1, India

PERSONAL

DECLASSIFIED

May 23 1967

AUG 16 2023

WBG ARCHIVES

Dear Mr. Supinit,

Thank you very much for sending us
copies of the slides. It was most kind
and thoughtful of you.

They will always be a permanent
reminder, both of your beautiful country
and of your help in getting the most out
of our brief visit.

With warm regards,

Yours sincerely,

Irving S. Friedman

Mr. Vjiti Supinit
Bank of Thailand
Bangkok
Thailand

May 19 1967

National Airlines Inc.
P.O. Box 2055 AMF
Miami
Florida 33159

Sirs:

Enclosed please find my check for
\$18.40 in payment of air waybill #026-1092458
on shipment of a parcel from India.

Irving S. Friedman
The Economic Adviser to the President

May 19 1967

Mr. G. Cosimano
P.O. Box 3745
1203 - 31st Street NW
Washington DC 20007

Dear Sir,

Enclosed herewith please find my
check for \$19.20, being payment in full
of Invoice No. 9672B.

With thanks for your assistance,

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

FILES

May 17 1967

Bimal Jalan

Meeting with Monsignor Gremillon

Msgr. Gremillon, Secretary of the Commission for World Justice and Peace in Rome and Msgr. Bordelon, Director of the Commission's office in the United States, called on Mr. Friedman. Mr. Kamarck was also present.

The Commission for World Justice and Peace was recently set up by the Pope to gather support at the grass-root level for development of poor nations. For this purpose it is intended to start an educational program at the parish level which would call attention to the facts and promote understanding on such subjects as importance of development for world peace, efforts being made in the less-developed countries, the bi-lateral and multilateral programs of the rich nations to assist in this process, the role of private investment, etc. The headquarters of the Commission are in Rome, but regional offices are being planned in all the industrialized countries of Europe and North America.

The purpose of Msgr. Gremillon's visit to the Bank was to explore the ways in which the Commission could benefit from the Bank's experience and expertise in fulfilling its task. He recalled previous informal talks with Mr. Friedman on the subject of development. He felt that a major thrust was needed to get the message of "peace through development" across to the people both in the Christian and non-Christian world, and he would like to be able to look at the institutions such as the World Bank, the UNDP for technical guidance in the work of his Commission. He mentioned, for example, Mr. Woods's statement that developing countries could absorb another \$3-\$4 billion in foreign aid -- this kind of authoritative statement had already been used with great effectiveness in his program.

Mr. Friedman commended the work the Commission was intending to do, and said that a lot can be gained in the development field with more popular support for foreign aid. In this process, groups like the one Msgr. Gremillon represented, had an important part to play. Mr. Friedman assured Msgr. Gremillon of all the cooperation and the technical help that the Bank could give. The Bank would be glad to put the Commission on its mailing list, and to provide economic information available within the Bank. In reply to a query by Msgr. Gremillon, Mr. Friedman said that the Bank would also be glad to receive invitations to send representatives to participate in any economic discussions that were organized, if the Commission considered it useful. The Bank staff was very busy but we would give their requests a high priority.

Msgr. Gremillon expressed his appreciation for the Bank's attitude, and said that he would like to discuss some specific questions he had:

(1) The World Council of Churches (at Geneva) and his Commission are meeting in June in a Joint Commission with the purpose of setting up a few Study Committees and Working Groups on development problems. These working groups would consist of economists and teachers, and meet maybe once every few months or so. Msgr. Gremillon wondered whether the Bank

May 17 1967

would be willing to have staff members participate in some capacity or other in these working groups, if invited to do so by the Commission. Mr. Friedman said that this matter would have to be referred to the President, but he personally could see no reason why the Bank would be unwilling to do so. Mr. Kamarck suggested that the Bank may, however, prefer to send observers or technical advisers to these groups rather than participate in these as a full member. Msgr. Gremillon also requested Mr. Friedman to send him on a personal basis a brief paper on important issues that these working groups should immediately start working on. This would be of great help to the work of the Joint Commission. (He requested that a copy of this is to be sent to Msgr. Bordelon.)

(11) Msgr. Gremillon said that he was sending some people to Asia and Africa on exploratory "fact-finding" missions as representatives of his Secretariat. Father Lamb was already scheduled to go to Tokyo, Manila, Taiwan, New Delhi, Karachi, Hong Kong and Iraq. He wondered whether Mr. Friedman or someone else in the Bank could write to people that Father Lamb should see. He would be particularly interested in meeting the Asian Development Bank people. Mr. Friedman said that he would be glad to do so, when requested.

(111) Msgr. Gremillon said that his commission would like to send an observer to the next Annual Meeting of the Bank in Rio, perhaps Barbara Ward. Mr. Friedman agreed to bring this suggestion to Mr. Woods's attention.

(iv) Msgr. Gremillon said that the Commission is setting up a research wing to keep abreast of work being done on development problems in various institutions. He would like to receive all the documents that the Bank cared to send them. Mr. Friedman said that he would send them copies of materials and books published by the Bank.

Before leaving Msgr. Gremillon expressed the hope that he would be able to meet Mr. Woods in the near future. Mr. Friedman explained that Mr. Woods was out of the country but that he would pass this message to Mr. Woods, who, he was sure would welcome the efforts being made to obtain more grass-root support for development aid.

Monsignor Joseph Gremillon
Executive Secretary
Commission for World Justice and Peace
The Vatican
Rome. (Cable address: JUSTPAX, Rome)

Monsignor Marvin Bordelon
Director, Secretariat for World
Justice and Peace
National Conference of Catholic
Bishops
1312 Massachusetts Ave. NW
Washington DC 20005
(Tele. 737-7474)

May 17 1967

Mr. Consolo.

Fred,

Although I haven't studied in detail Leon's summary translation of the Italian Treasury staff's report on the Supplementary Finance Scheme, it does seem to have some interesting points. (I am just about to leave for Montreal, and am taking it with me.)

Mr. Sarma has given the attached comments, which you may wish to pass on informally to Mr. Sacco. If I have anything further to say on it I'll let you know.

Many thanks.

Irving S. Friedman

Messrs. Frank, Karmark, Sarma, Sundrum, Balassa

May 17 1967

Irving S. Friedman

Draft address to Canadian Political Science Association

I am attaching a draft of an address to the Canadian Political Science Association. I think the title is self-explanatory. As you undoubtedly know, the Canadian Political Science Association also includes the professional economists in Canada, as they have no separate association of their own. This address is one of two to be given on the subject of economic development, to which they are devoting one of the afternoons of their three day meeting.

I am principally concerned whether the subject matter is not of too limited interest for this professional audience, or perhaps is treated in a way which is not appropriate for such an audience.

I would appreciate any comments which you may have by Friday if possible, or the latest Monday, as I have to redo the draft and send it to the discussants by the middle of next week.

Attachment

May 16 1967

Dear Mr. Ahmed,

Thank you for your letter of May 8. I have sent your letter on to our Administration Department, who handle the preliminaries of applications.

I am sure you will be hearing from them shortly, and then we can follow the matter up further.

Yours sincerely,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Mr. S. Basheer Ahmed
Assistant Professor of Economics
Tennessee Technological University
Cookeville
Tennessee 38501

cc: Mr. Sadove
Mr. Dyer

Ottawa

May 16, 1967

Dear Claude,

Please excuse me for not answering your letter of May 9 sooner -- I have been out of the country.

It was very kind of you to invite me to stay at your home as I know I would enjoy it very much. However, I should point out that my flight is scheduled to arrive in Ottawa at 9:34 pm on June 6, which, if I came out to see you, means that I would not get to your home until sometime after 10 pm. I would probably be leaving some time fairly early on June 8.

I hold a firm reservation at the Chateau Laurier; one possibility is to hold on to the reservation, but in any case plan to come out to your place right from the airport, if it is not too late. I have no idea at this time whether I will be having other appointments but if we are to make sure that we have some private time together -- which I would like very much -- the first night, June 6, is possibly the best.

Thank you again for the invitation,

Sincerely yours,

Irving S. Friedman

Mr. C.M. Isbister
Deputy Minister
Energy, Mines and Resources
Ottawa 4, Canada

India (Tok)

May 16 1967

Dear Mr. Vaidya,

Thank you for your kind and interesting letter of May 3. I am sorry too that we both seemed to just miss each other.

The trip to India I found most interesting and enjoyable, and the many talks with officials gave me a deeper insight into the struggles and problems. You have probably read of Mr. Woods's recent trip, which speaks for itself of our attitude towards India.

With regard to the Supplementary Finance Scheme, I hope that by October the Inter-Governmental Group will be able to take an important step forward. Incidentally, as of now I am intending to attend the Geneva meeting.

With kind regards,

Yours sincerely,

Irving S. Friedman

Mr. K.G. Vaidya
DI/38, Satya Marg
Ghanakyapuri
New Delhi 11
India

May 16 1967

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Dear Walter,

Thank you for your letter of May 3, with which you enclosed your curriculum vitae.

I have now had an opportunity to check possibilities here for you and regretfully must let you know that we do not have a senior position which we might suggest to you at this time. I wish that our situation were different for I believe you could make a significant contribution to our economic work.

Please keep me informed as to your decisions and plans.

With best regards,

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Mr. Walter A. Hudson
United Nations
UN Industrial Development Organization
New York, N.Y.

ISFriedman/dm

cc: Mr. Lejeune

MISC.

May 16 1967

Dear Mr. Espie,

On behalf of Mr. Woods, who is presently out of the country, I acknowledge your letter of May 5 requesting assistance on your dissertation.

Mr. Sarma of my staff will be able to fill you in on the information you require about UNCTAD. If you would get in touch with him direct I am sure he will be glad to help you. His number is DU 1-3543.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. Tom Espie
University of Denver
Communication Arts Center
Denver
Colorado 80210

(copy Mr. Woods's office for record purposes)

cc: Mr. Sarma (with incoming correspondence)

Mr. Kamarok

May 11 1967

Irving S. Friedman

I would be pleased if you would have prepared quickly a memorandum which summarizes international debt settlement during the last ten years, e.g., Brazil, Chile, Argentina, Ghana, Indonesia, Liberia, etc.

Perhaps these could be shown in the form of a table. I would also like to be advised whether it contained any confidential information.

cc: Mr. Kalmanoff

May 11 1967

Dear Suzanne,

I am enclosing two more suggestions for your summer holidays, both of these being in France. I hope you will find the time to write to the following and express your thanks.

M. Gilbert Bouchet
Controleur General
de la Banque de France
Paris, France (mark letter "Personal")

You will notice that one is suggested for the end of July to the end of September. I assume that they would be happy to have someone from the end of July to early September. The other one covers the entire summer period.

In the meantime I have undertaken to reciprocate for someone from France next summer at our own home. I have not committed your folks since I have not had a chance to discuss this with them, although they were quite prepared to take the daughter of Roy Bridge of the Bank of England for this spring.

I do hope you will decide quickly among these various alternatives even if you decide against all of them, and let the people know. I think that it would be nice if you wrote to all the people personally as well as to M. Bouchet.

Just to make sure I am sending you a copy of the original letter we received from Mr. Cunnell, so that you know the name of the person in England to whom to write.

I will be very interested to know what you decide to do. Best of luck,

Yours,

Irving S. Friedman

PS. You will notice after the names of M. Morant and M. Berger their titles -- I would address them by their titles when writing to them.

Miss Suzanne Waage
Stephens College
Columbia, Missouri 2264

May 11 1967

Dear Mr. Dell,

Enclosed please find the signed acceptance card for preparing for the next edition of the Britannica Book of the Year on Economic Development.

I have noted that the deadline for the article is October 23, 1967.

It would be appreciated if the honorarium could be paid directly to UNICEF in my name. I would be happy to receive Great Books of the Western World.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. W.R. Dell
Editor
Britannica Book of the Year
Encyclopaedia Britannica
425 North Michigan Avenue
Chicago, Ill. 60611

May 11, 1967

Dear Mrs. Bazin:

As I did not have a chance to thank you properly before leaving Paris, I am writing to say how much I appreciated the effort you made to get transport for Mr. Hulley and myself when we were leaving Paris.

Again, many thanks,

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

Mrs. Michelle Bazin
International Bank for Reconstruction
and Development
4, Avenue d'Iena
Paris 16^e, France

May 5, 1967

Dear Ken,

Thank you for sending me the minutes of meetings in Delhi. These are fine. I have made some additions and a few changes. I enclose a copy of the revised minutes for your files.

Thank you also for all your help in Delhi, and for mailing the packages. We have already received the one containing documents.

Kindest regards,

Yours sincerely,

(signed) Irving S. Friedman

Irving S. Friedman

Mr. Kenneth A. Bohr
International Bank for Reconstruction
and Development
P.O. Box 416
7, Sardar Patel Marg
New Delhi
India

cc: Mr. Cargill

Kenneth A. Bohr

Summary of Discussions between Mr. Friedman and Indian Officials, New Delhi -
April 18 and 19, 1967^{1/}1. Mr. S. Jagannathan, Secretary of Economic Affairs, Ministry of Finance,
and members of his staff

Mr. Friedman expressed the Bank's concern over the continued increase in prices. He urged that serious attention be given to this problem and also that the Government should not promise more than it felt it was able to accomplish. The Secretary and Dr. Patel pointed out that much of the present inflationary pressure could be attributed to the present difficult food situation. Food shortages had led to an increase in food prices. Actually, other prices had not increased nearly as much. Some of the increase in food prices was seasonal. Given a good crop this year it should be possible to control the increase but much would depend on the coming crop. In this situation a deflationary fiscal policy did not seem to be the immediate answer. In any event, it would take some time before the inflationary pressure could be brought under control.

In response to questions concerning IDA replenishment, particularly with respect to the recent U.S. proposal, Mr. Friedman explained briefly some of the background. He emphasized the Bank's insistence that no IDA funds be tied to procurement in any particular country. He also mentioned the concern of the U.S. with its balance of payments and its desire for some relief within the formula devised for IDA contributions.

2. Mr. Ashoka Mehta, Minister of Planning, Petroleum and Chemicals and
Social Welfare

Most of the discussion with the Minister of Planning dealt with the effect of the recent elections on Center-State relationships and on general economic policy, particularly in relation to carrying out the policies discussed with Mr. Woods a year ago. In the Minister's opinion, the varied party control that now existed did not constitute a grave problem. He did not "take a tragic view of the situation." There were benefits to be gained from having other parties share the burdens and responsibilities of government. Also, competition among state governments of different parties could be a good thing. These factors might offset the disadvantages faced by the ruling party in losing control in a number of states. He illustrated his argument by comparing the present situation in India with the rise of a two-party system in the U.S. south.

^{1/} For others present, see attached list.

He did not believe there would be any major change in economic policies. In particular, the new agricultural policy had been established and there seemed little possibility of any deviation from the policy of promoting the use of new high yielding varieties with increased inputs of fertilizer and water. The system of food zones was another thing. This was a temporary policy designed to meet the present emergency. When the food situation improved this would be altered. However, he did feel that the implementation of the agreements with Mr. Woods might take a little longer than they had anticipated when the agreements were made. The second successive drought had severely strained the economy and slowed the pace of implementing some of the proposed actions.

The Minister raised the question of the Indian fertilizer program and policy. He felt there was some misunderstanding in Washington of what his government was trying to do. He felt that criteria by which some people wanted to judge the success of the fertilizer policy was too narrow, and he promised to have a paper prepared giving the position and status of negotiations on each project under consideration. (He said, for example, some A.I.D. people seem to think that the success of the fertilizer policy should be measured in terms of whether Standard of New Jersey decided to construct a plant in India!)

With reference to the IDA replenishment, the Minister wondered whether the recent U.S. proposal did not boil down to tying of IDA procurement to contributions. Mr. Friedman answered him that this was not the case, and so far as the Bank was concerned we had made it clear to the U.S. and other Part I countries that there just was no question of accepting tied funds for IDA. Whatever the scheme for balance of payments relief, procurement under IDA funds would be on the basis of international competitive bidding. The Minister further inquired whether (assuming that the IDA was replenished at the proposed level) this would mean that India's share in total aid might be increased or whether it meant a substitution of IDA funds for bilateral aid. Mr. Friedman said that in any proposal for replenishment, we had made it clear that we thought of increased contributions to IDA as being additional to the existing levels of bilateral aid. We have no means of knowing whether the donors would in fact take this attitude; we hope that they would. Even if the IDA was replenished at the past scale, the increase in contributions would represent only a part of the \$3 to \$4 billion increase in capital flows to the less developed countries that we are arguing for.

3. Mr. A.L. Dias, Secretary, Department of Food, Ministry of Food and Agriculture

The Secretary explained why he was optimistic about the future agricultural situation. There was now pressure from the farmers for

improved seeds, fertilizers and water. Given a good monsoon the increased output should be quite substantial. The food distribution problem was a difficult one. He defended the system of single state food zones. He felt that under a free market system food would tend to move towards the higher income centers and the distress would be more severe among the poor people than it would be under the present system. The government was procuring from surplus states and surplus areas within deficit states but there was a limit to how much could be procured without disrupting the marketing system in the surplus states. He also pointed out that given a succession of good harvests and the creation of sufficient buffer stocks it would thus be possible to abandon the system of state zones which, in any event, were considered temporary. In response to a question from Mr. Friedman concerning the capacity of ports to handle imports of grain, he pointed out that port handling capacity had been increased from an average of 500,000 tons per month to over 1 million tons per month in a year's time. Referring to the reported wastage of stored grain from rodents, Mr. Friedman said that if these estimates were true, considerable increases in agricultural supplies could be effected at relatively little cost by attending to this problem. The Secretary, however, felt that the figures sometimes quoted were highly exaggerated and that this was not a serious problem. He promised to let Mr. Friedman have a paper on this problem that his Ministry had recently prepared. Mr. Friedman suggested that at the same time farmers were adopting more modern methods of cultivation, they might also be assisted in adopting better systems of storage.

4. Mr. Morarji Desai, Deputy Prime Minister and Finance Minister

Mr. Friedman said that the Bank was considerably concerned about the recent increase in prices and hoped that the Government would find it possible to take immediate and decisive action on this front. The Minister agreed that inflation was becoming a real problem, and expressed his great determination to halt the rise in prices. He felt it would take time, perhaps two years, to undo the damage done by the inflationary budgets during the Third Plan. On the other hand, he felt it necessary to publicly claim more rapid success in order to help reverse the present trend. Devaluation had been a bad thing; it didn't help exports because there was no surplus to export and imports had become more expensive contributing to the rise in prices, but that was past. Mr. Friedman said that he did not agree that devaluation as a policy measure had been a wrong decision, but he agreed that there was no point in debating this issue now. What is now important is to see how maximum advantage can be derived from this move. Mr. Desai also spoke of his invitation to Mr. Woods as being a personal one. He did not expect to prepare any agenda but thought it would be very helpful to have free and informal talks. He felt that there had been some deterioration in relations between the Bank and India in the recent past and perhaps he could help to contribute to better understanding through such a meeting. He was quite flexible as to the timing and would have proposed going to Washington except he felt he could not get away at this time.

5. Mr. K.B. Lal, Secretary, Ministry of Commerce

At the beginning of the meeting there was some discussion of the supplementary financing scheme and the need for developing countries to focus on some feasible program if anything were to be accomplished at the next meeting. Mr. Friedman complimented the work done by the Indian representative in the last UNCTAD meeting. The rest of the discussion focused on the extent to which the Government had been able to decontrol imports and the difficulties it was facing in carrying out a fully satisfactory program.

The Government's aim had been to make licensing a formality, to simplify the whole procurement procedure from the standpoint of the individual importer and to ensure continuing adequate supply of imports. The decontrol thus far had concentrated on the so-called non-project imports required by 59 priority industries. Actually, licensing had become a mere formality. The individual manufacturer could obtain a license for what he needed. However, the problem of converting the license into imports was just as difficult as in the past. In fact, the Secretary said that because of a greater variety of currencies and constraints on the use of these currencies, the machinery for allocating the aid credits was harder to manage than it had been in the past. In brief, the problem he faced was trying to run a system of freely available imports financed by a complicated combination of non-interchangeable currencies with various restrictive conditions on their use.

The Secretary recognized the problems of the donors from his previous experiences in Europe and he recognized that there had been progress in various countries in developing an aid program more suitable to the needs of recipient countries. He felt more progress could be made if the laws dealing with aid to former colonies that existed in a number of countries could be made to apply also to consortium aid. Certainly the goal of a more uniform set of conditions governing the use of aid funds would make his job much easier and he did think some progress along these lines might be possible. He promised to present us with a piece describing specifically the ways in which decontrol is being affected by the terms of aid. Mr. Friedman said that he was impressed by what the Secretary had said, and thought that a technical paper describing in as specific terms as possible the problem of implementing an import decontrol policy in the face of diverse donor policies on aid would be extremely helpful. He suggested that when approached at a technical, rather than political, level, these problems were easier to resolve. After returning to Washington, he would discuss with other senior officers of the Bank whether the Bank could not intensify its efforts to push for harmonisation of terms and conditions of aid within the framework of the Indian consortium.

List of individuals present at meetings with Mr. Friedman^{1/}

- | | | |
|----|--|--|
| 1. | S. Jagamathan
Dr. I.G. Patel
V.K. Ramaswami
M.R. Shroff
C.S. Swaminathan | Secretary, Department of Economic Affairs,
Ministry of Finance
Chief Economic Adviser, Ministry of Finance
Economic Adviser, Ministry of Finance
Director, Department of Economics, Ministry
of Finance
Joint Secretary, Ministry of Finance |
| 2. | Ashoka Mehta
C. Subramaniam
Dr. S.R. Sen
M.R. Shroff | Minister of Planning, Petroleum & Chemicals
& Social Welfare
(former Minister of Agriculture)
Additional Secretary, Planning Commission |
| 3. | A.L. Dias
M.R. Shroff | Secretary, Department of Food, Ministry of
Food & Agriculture |
| 4. | Morarji Desai
Dr. I.G. Patel | Deputy Prime Minister and Finance Minister |
| 5. | K.B. Lal
P.D. Kasbekar
S.S. Narathe
V.K. Ramaswami | Secretary, Department of Commerce
Chief Controller of Imports & Exports,
Ministry of Commerce
Economic Adviser, Ministry of Industry
Economic Adviser, Ministry of Finance |

1/ Also present at all meetings from Bank staff:

Kenneth A. Bohr
B. Jalan

cc: Mr. Woods
Mr. Knapp
Mr. Cargill
Mr. Kamarek
Mr. Stevenson

KABohr/BJalan:rgw

FILES

May 8, 1967

Bimal Jalan

Meeting with U Nyun, Tokyo, April 7, 1967

Mr. Friedman made a courtesy call on U Nyun, Executive Secretary of ECAFE in Tokyo. U Nyun was in Tokyo in connection with the Twentieth Annual Meeting of ECAFE. U Nyun said that ECAFE wanted as much co-operation as they could get from the World Bank, and he hoped that Asian problems would receive sympathetic consideration at the Bank. Asian problems were urgent and needed immediate attention, it would be a pity if the Bank got bogged down in technicalities in approaching them. Mr. Friedman assured him of the Bank's very close interest in Asia, and of our intention to be of as much help as we could to ECAFE and other regional institutions.

cc: Mr. Woods
" Knapp
" Cargill
" Stevenson

FILES

May 8, 1967

Bimal Jalan

Luncheon with the Minister of Finance at the Bank of Thailand,
Bangkok, April 12, 1967

Those present were: Dr. Sern Vinichayakul (Minister of Finance), Mr. Bisudhi Nimmanahaeminda (Deputy Governor, Bank of Thailand), Mr. Boonma Wongswan (Permanent Under Secretary, Ministry of Finance), Mr. Prayad Buranasiri (Secretary General, National Economic Development Board), Mr. Chalong Fungtrakul (Director, Office of Fiscal Policy, Ministry of Finance), Mr. Sommai Hoontrakoon (Director, Assistant to the Governor), Manying Suparb Yossundara (Director, Assistant to the Governor), Dr. Thavil Khutrakul (Director, Department of Economic Research, Bank of Thailand), Mr. Nukul Prachuabmoh (Deputy Director, Department of Highways), Mr. Irving Friedman and Mr. Bimal Jalan.

During the course of general luncheon conversation, Mr. Prayad Buranasiri expressed some surprise that in spite of the good performance and creditworthiness of Thailand, the Bank had said that it won't do any further lending in Thailand when these were precisely the criteria on which the Bank lending was supposed to be based on. Had the Bank criteria undergone a change? Mr. Friedman said that the criteria had not changed, but the financial environment in which the Bank had to operate had changed. Only two or three years ago, there was a feeling that the Bank had more money than there were eligible projects. Today there were many more projects than the Bank had money for. At the same time the capital markets in Europe and America were getting tighter and less certain -- in America and the U.K. because of balance of payments position. Thailand had an increasingly comfortable reserve position so it was felt that at this time the Bank could not justify lending significant amounts to Thailand. There was really no question of Thai performance being bad in all this. In this connection he also explained the work of the Economic Committee, the organization of economic work in the Bank and the way in which economic decisions were reached in the Bank.

Mr. Buranasiri said that there was another kind of assistance that the Bank could provide, and that was technical and advisory on whether projects, that Thailand itself was planning to undertake, were good enough. He had sent a project to the Bank for judgment of this kind. He mentioned in particular that a Bank study on best use of water resources (among competing uses) would be most useful.

The Minister of Finance asked Mr. Friedman to convey his request once again to Mr. Woods about visiting Thailand. Mr. Woods had a standing invitation, and they would very much want him to come.

cc: Mr. Woods
" Knapp
" Cargill
" Kamarek
" Stevenson

FILES

May 8, 1967

Bimal Jalan

Meeting with the Bank of Thailand, Bangkok, April 12, 1967

Those present were: Mme. Suparb Yossundara (Director, Assistant to the Governor), Mr. Boonma Wongswan (Permanent Under Secretary, Ministry of Finance), Mr. Thavil Khutrakul (Director, Department of Economic Research, Bank of Thailand), Mr. Irving Friedman, and Mr. Bimal Jalan.

Mme. Suparb Yossundara referred to the two letters they had received from Mr. Woods recently (sent after Mr. Friedman left Washington). In one he had suggested that the Bank would be willing to participate to the extent of 10% of a \$19 million power project that was under consideration by the Thai Government. In the other letter he had suggested that Thailand should invest some of its reserves (\$20 million) in two-year Bank promissory notes and also buy participations in the Bank's outstanding loans to Thailand.

Mme. Yossundara said that there was some technical legal difficulty in buying participations, but the law was being changed to permit this. On investing in Bank bonds, she said that in principle, the Bank preferred bonds to promissory notes.

She said that from their point of view they would like to see that outflow of funds from Thailand (investments in Bank bonds plus participation in Bank loans plus debt service due to the Bank) should be equal to the Bank's lending to Thailand. Thus, she said that if they were to invest in the Bank bonds they would like to have at least 50% of Bank money in the foreign exchange cost of \$19 million project that was now being considered. Thailand had reserves but it needed technical assistance in the preparation and supervision of projects as well as in persuading the Government to maintain good and sound standards in selection and execution of projects. If the Bank did not participate significantly in the proposed loan they would have real difficulty in persuading people to listen to Bank advice. They needed Bank loans in order for the Bank to exercise its supervisory job with effectiveness (10% investment by the Bank wasn't really enough to ensure this). The Bank now wanted \$20 million from Thailand in bonds but wanted to give only \$2 million in loans. Where does the \$18 million go? They liked the Bank criteria, and wanted them to be effective.

Mr. Friedman explained the changed financial environment in which the Bank had to operate. He added that our feeling was that Thailand had a windfall in the form of U.S. military expenditures. They should, therefore, use part of it in productive investment. Nevertheless, the Bank wanted to make clear that there was simply no question of withdrawing from Thailand, nor of disapproving the project, and that is why we were investing 10% of the foreign exchange cost of the project.

However, Mr. Friedman emphasized that so far as the Bank was concerned, there was no question at all of a tie up between outflows from and inflows to a particular country. We don't want to give the impression that a country which invested in the Bank had a special claim on the Bank's resources. Lending policy was completely separate from borrowing operations, and was

based on considerations of economic performance, project soundness and availability of finance. The purchase of Bank bonds on part of countries was completely voluntary; this was a decision which belonged to the Bank of Thailand and should be made on whether they considered it a good investment and their desire to be helpful to a worldwide development finance institution. So far as we are concerned, the only quid pro quo for purchase of Bank bonds lies in the interest we pay. He therefore urged them to separate the two issues -- the question whether Bank investment in the proposed project was sufficient to accomplish the purpose for which it was being made and the question whether Thailand wanted to invest in Bank bonds of the type that Mr. Woods had proposed.

Mr. Wongswan of the Ministry of Finance said that quite apart from the question of tying, the reason why they wanted a larger participation from the Bank was because it ensured better project performance.

Mr. Friedman said that it was a reasonable view and he suggested that Thailand should suggest the smallest percentage participation that it considered was compatible with this objective. If they could agree with Mr. Woods's figure, that would, of course, be fine. If they could not, they should yet suggest the smallest figure near to 10%, since with present circumstances, the Bank would have difficulty in justifying any more than minimum investment in Thailand. If they felt that a 10% participation would result in bad monetary and fiscal policy for Thailand (because of the scarcity of local savings), this was something they could quite reasonably point out to the Bank. Mr. Friedman noted that he was impressed by what they had said about the importance of Bank lending in ensuring good project performance. He also emphasized that the fact that Bank was making a small investment had nothing to do with the quality of projects -- whether it was 100% financing or 1% financing, the project standards were the same.

Mme. Yossundara asked that if Thailand agreed to the 10% figure for this particular project, would this figure be the same for all current and future projects. Mr. Friedman said that as long as present circumstances continued to prevail, he thought that the figure would be the same. However, if circumstances (e.g., Thailand's reserve position, the Bank's financial position, demand from other countries, etc.), changed, the percentage of Bank participation would be affected by that. He said, in this connection, that he was looking forward to the recent Bank mission's report, especially their evaluation of current and prospective reserve position of Thailand in the light of development needs.

Mme. Yossundara wanted to know about the documentation on Supplementary Financial Measures and the current status of discussions. Mr. Friedman explained the stage reached with respect to this Scheme as well as the position of various governments. Mme. Yossundara said that she liked the Scheme very much because it provided the right kind of money for a real need.

cc: Mr. Woods
" Knapp
" Cargill
" Kamarck
" Stevenson

DECLASSIFIED May 5, 1967

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Personal

Dear Ignacio:

My warmest congratulations on your acceptance of the Presidency of the Corporacion Financiera Colombiana. It really sounds most interesting and challenging, which I know is something you enjoy.

I am sorry though you will be leaving Washington. I do hope our paths will cross again in the not too distant future.

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. Ignacio Copete-Lizarralde
Financial Manager
Inter-American Development Bank
Washington, D.C. 20577

May 5, 1967

Dear Mr. Smith:

Mr. Woods's secretary has, in his absence, shown me your letters to him of May 2. I understand that they have been forwarded to Mr. Woods and I am sure he will read them with interest. In the meantime I am taking the opportunity of bringing to the attention of other interested members of our senior staff your letter on your plans for visiting Africa.

I am looking forward to making your acquaintance as I believe we have many common interests. Perhaps we could see each other some time, either in London or in Washington.

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Mr. George Ivan Smith
Flat 3
97 Cadogan Gardens
London, S.W.3, England

ISFriedman/rgw

Letter to: Mr. El Emary
Mr. B. Bell

May 5, 1967

My dear Mr. Clark,

Both Mr. Woods and Johnnie Miller were kind enough to tell me about your forthcoming visit to the U.S. and their suggestions that we get to know each other.

I think we have nearly met on many occasions but I never quite made it. I would be very happy to see you in Washington -- perhaps if you would let me know when you are free we could arrange a lunch or dinner.

We have so many things of common interest that we had better leave a good slice of time for talk.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. William Clark
Overseas Development Institute Ltd.
160 Piccadilly
London, W. 1,
England

May 5, 1967

Dear Mr. Gibson,

In reply to your letter of April 22, 1967 to Mr. Woods, you should know that, as an international development institution, the World Bank does have an interest in possible solutions to international monetary problems to the extent that these problems may impede the growth of world production and trade, but that it is not directly involved in the reform proposals currently discussed.

You will find in the Annual Report of the International Monetary Fund a thorough survey of recent developments in your field of interest. I also suggest that you read Professor Machlup's Plans for Reform of the International Monetary System (Princeton University Press; Revised edition; March 1964), which reviews various proposals for reform of international monetary arrangements, and the other publications of the International Finance Section of the Department of Economics of Princeton University on the same topic.

I wish you good luck in your research.

Yours sincerely,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Mr. Robert W. Gibson
2013 Maple Street
Evanston
Illinois 60201

(copy to Mr. Woods's office for record purposes)

FILES

May 4, 1967

Bimal Jalan

Luncheon with Governor Castillo, Manila - April 11 1967

Among those present were Governor Castillo of the Central Bank of the Philippines; the Secretary of Finance (Mr. Romualdez); Secretary of the Presidential Economic Staff (Mr. Mapa); Chairman of the Philippine Development Bank, Head of the Metropolitan Bank, Acting Managing Director of the Philippine Power Company, Chairman of the Chamber of Commerce, the Executive Vice President of the Private Development Corporation of the Philippines (Mr. Jayme).

Governor Castillo in after-lunch remarks welcoming Mr. Friedman said that the Philippines under President Marcos was doing all that it could to improve fiscal performance. They appreciated the importance of Bank recommendations and were in complete agreement that fiscal performance should be improved. But in the light of the situation existing in the Philippines and the political difficulties the President had in getting his tax proposals through, he wanted the Bank to reconsider its decision not to lend to the Philippines until the proposed tax bills were passed by the Congress (Governor Castillo had elaborated on this point in a private conversation with Mr. Friedman before the lunch). He felt that a more sympathetic attitude to the Philippines by the Bank would strengthen the efforts that the Government was making to improve project performance as well as fiscal performance in the Philippines. He reiterated the request he had made to Mr. Knapp for the organization of a consultative group for the Philippines. He was disappointed at the negative response he had got from Mr. Knapp and wanted Mr. Friedman to convey once again his request for a consultative group to Mr. Woods.

Mr. Friedman in his reply explained why the Bank had found it necessary to take the decision of not lending to the Philippines. Today there was no easy availability of finance and whatever resources the Bank had had to be used on the basis of economic performance and highest project priorities. There were competing claims on the Bank's resources and unless the fiscal performance of the Philippines improved the Bank would find it very difficult to justify lending to the Philippines. The Bank felt that a consultative group was not worthwhile unless the economic performance of the country could be endorsed by the Bank which was not so in the case of the Philippines at present. But he would certainly convey Governor Castillo's request to Mr. Woods.

The Secretary of Finance in a short speech gave an outline of the efforts the Philippines was making to improve its performance, viz., the priority it was giving to infrastructure and agriculture, the improvement which had been achieved in tax collection and the recent proposals for tax increases that Marcos had put forward before the Philippine Congress. There were some difficulties, but much progress had been made. He, like Governor Castillo, hoped that the Bank would find it possible to take a sympathetic attitude to the situation in the Philippines. He also requested Mr. Friedman to convey the Philippine request for a consultative group to Mr. Woods.

cc: Mr. Woods Mr. Cargill
 Mr. Knapp Mr. Kamarck
 Mr. Stevenson

Personal

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AUG 16 2023

May 4, 1967

WBG ARCHIVES

Dear Guy:

Glad to get your letter of May 1. I have discussed the subject of consultants with Andy Kamarck and I think we shall be able to work things out as you suggest.

Edna and I have just come back from a trip to the Philippines, Thailand and India, and are still exhausted. I am leaving tomorrow for a brief visit to Europe, but hope to be back by the latter part of next week.

I do hope you find your new house -- as well as your new work -- satisfactory. We continue to look forward most eagerly to your being in Washington.

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. Guy H. Orcutt
Professor of Economics
The University of Wisconsin
Social Systems Research Institute
Social Science Building
Madison 53706, Wisconsin

cc: Mr. Kamarck

*Japan

May 4, 1967

Dear Suparb,

First, let me thank you for your hospitality to Mrs. Friedman and myself while we were in Bangkok. I particularly enjoyed the lunch and the talks following that.

In the course of our conversation, you had raised the question whether certificates of participation in Bank loans were marketable. I have checked this with our Treasurer's Department and am told that these are in fact transferable and can be sold. However, at the time of the sale of the certificates, the Bank does ask for a letter of investment intent from the purchaser which we need for securities and exchange purposes in the United States.

I thought it would be interesting for you if I were to send you a copy of the participation agreement and also of the letter of investment intent. These would tell you exactly what the position is.

Best regards,

Yours sincerely,

Irving S. Friedman

Miss Suparb Yossundara
Director, Assistant to the Governor
The Bank of Thailand
Bangkok
Thailand

cc: Mr. Deely

FILES

May 4, 1967

Bimal Jalan

Visit to Japan : March 30--April 8, 1967

I accompanied Mr. Friedman on his visits to Mr. Hirata, President of the Japan Development Bank on Wednesday, April 5; Mr. Yamamoto, Vice Minister in the Ministry of International Trade and Industry on April 6; Mr. Morinaga, President of the Export Import Bank on April 6; and Mr. Oshiba, Vice Minister Designate of Foreign Affairs on April 7.

Meeting with Mr. Hirata

Mr. Ishihara and three other members of the staff of the Japan Development Bank were also present. Discussion was on the current economic situation of Japan. Mr. Friedman said that he was impressed by the fact that the Japanese industry was relying less and less on external borrowing and was financing most of its current investment program out of its own earnings. This view was confirmed by the officers of the JDB. Mr. Hirata and others said that the Government was following a very conservative fiscal and monetary policy. It was neutral in character and the Government was borrowing less than it had planned because the economic activity was at a high level. They gave us some tables about the growth of industries in the recent years which showed that the structure of Japanese industries was undergoing a rapid change -- some industries were growing much faster or as fast as during any other period in the past, while there were some where investment has been stagnant or even declining. Mr. Friedman noted this fact and suggested that this was symptomatic of the dynamism of the Japanese industries. Mr. Friedman emphasized the importance of Japanese investment decisions for the LDCs. Japan was becoming a major market for the LDCs and, given its current attitude towards economic growth, might well become a larger market for some of the newer industrial exports from the LDCs as Japanese industry moved into different fields.

In response to a question from Mr. Friedman, a JDB officer said that the trend towards more internal financing in Japanese industry was likely to continue.

The JDB officials expressed confidence in the Government's economic policy and its cautious action. How the Government policy would develop depended very much on how the business community in Japan was going to plan in terms of business investment.

Meeting with Mr. Yamamoto

Mr. Friedman talked about the technological progress in Japan. He was interested in knowing why the Japanese were so successful in business innovations and technological change. A representative of the Ministry of International Trade (the chief of International Trade Division) who was also there said that there was still a considerable technological gap between Japan and Europe compared with America, especially in electronics and computer fields. In certain industries, like the ship building, however, there was

May 4, 1967

practically no technological gap. The Vice Minister said that this was in large measure to be accounted for by the difference in the scale of industries, for example he mentioned Eastman Kodak which was sixty times that of Nippon Camera Company. Both of these companies spent the same percentage of sales on technological research but in absolute amounts there was a great deal of difference.

On the operations of IDA Mr. Friedman said that Japan was doing extremely well in terms of procurement, three times as well as its contribution. The representative of the Ministry said that he was not so sure about Japanese competitiveness in some industries and asked if the Bank had country-by-country procurement figures in particular projects and industries. He was especially interested in knowing how well or badly Japan had done in the bids for electrical generators. Mr. Friedman said that this material was just being studied. He invited him, when in Washington, to meet with some of the economic staff on these matters.

The Vice Minister said that great factors in Japanese growth have been: (1) national integrity and (2) education, in that order. Mr. Friedman said that he was wanting to set up a group to learn from the Japanese experience. This experience could be very valuable for other developing countries, but so far not much had been done on learning from that experience.

Meeting with Mr. Morinaga of Japan Export-Import Bank

Also present were all the Directors of the Board of the Bank. Mr. Friedman explained the economic work of the Bank, the role of the Economic Committee and the machinery for coordinating this work within the Bank. He emphasized the need to exchange views on economic matters between the World Bank and financial institutions in member countries. Underlining the three aspects of the country's relationship with the Bank -- as a borrower, as a provider of funds, and as a member -- Mr. Friedman hoped that Japan would find it possible to use and contribute in many ways to the Bank as a member and not only as a provider of funds and a borrower.

Mr. Friedman suggested that there ought to be more frequent contacts between the Bank staff and the staff of the Export-Import Bank on economic situations in developing countries. There was already some contact with the Bank loan officers for countries to which Japan was making a loan and the Export-Import Bank's Washington representative. The Directors of the Export-Import Bank welcomed this suggestion.

Meeting with Mr. Oshiba, the Vice Minister for Foreign Affairs

Mr. Matsui (who represents Japan at the UNCTAD Committee on Financing and Invisibles) was also present.

After preliminary exchange of greetings, the Vice Minister said that he would like to take this opportunity to clear his own mind about the supplementary financial Scheme proposed by the Bank staff. He was especially interested in hearing Mr. Friedman's assessment of the reaction of the United States and developing countries to this proposal. He had heard that the Scheme implied an open-ended commitment of resources by developed countries and he wanted to know from Mr. Friedman if that was the position.

Mr. Friedman said that he had had discussions with a number of top officials in the United States Government on the Scheme and it was his impression that their attitude to the Scheme was friendly. However, they could not at the moment commit the U.S. Government to this Scheme because of the negotiations on IDA replenishment, which were still pending. From their point of view they would like to get IDA replenishment out of the way first before taking a definitive position on the Supplementary Finance Scheme. Mr. Friedman added that so far as the Bank staff was concerned this attitude did not create any difficulty. The replenishment of the IDA was the first priority, and it was unlikely that the Scheme for supplementary financial measures could come into existence before the end of 1969 or 1970. Thus, there was no particular hurry on this Scheme at this time.

On the attitude of the developing countries to the Scheme, Mr. Friedman said that all the developing countries represented on the Intergovernmental Group were in favor of it. It was most encouraging to see how the developing countries had accepted the idea of linking assistance from the Scheme to economic performance. There were, of course, some questions about the performance criteria and the policy package, which are now being discussed, but by and large there was no disagreement with the need to relate assistance to performance, as proposed in the Scheme.

On the cost of the Scheme, Mr. Friedman said that the figure the Study had proposed represented our best judgment on the basis of past experience. This could, of course, prove too much or too little when the Scheme is actually in operation. From an ideal point of view, commitments ought to be open-ended, but that is not practical. Therefore, we suggested an amount which would make us reasonably confident that the Scheme could be successfully operated. If this amount proves too little, some form of rationing may have to be considered. But he emphasized that we must not start with what we consider to be an inadequate figure; we must start with an amount we consider sufficient to run the Scheme, and introduce rationing only if actual operations prove it to be insufficient. Mr. Friedman added that we did not consider the figure we had mentioned in the Study as being a final one -- we were at present in the process of updating the Simulation Exercise, and the figure which comes out of this may be different from the present figure.

The question of collaboration with the IMF in the operation of the Scheme was briefly raised by the Vice Minister. Mr. Friedman said that so far as the Bank was concerned, we saw no difficulty. There already was a great deal of collaboration between the two institutions on country economic work -- in fact representatives of the Fund were invited to attend the meetings of the Economic Committee, and their views in the Fund areas of competence were normally guiding in devising our own policy attitudes to the countries. There was no reason why the existence of the Scheme should cause problems which the management of the two institutions could not resolve.

May 4, 1967

Before leaving, Mr. Friedman explained the Bank's attitude to IDA replenishment -- that we wanted untied and certain money within the framework of a simple scheme. He hoped that Japan would come out strongly in favor of untied funds. In terms of procurement Japan received three times as much as its own contribution to IDA.

Following a personal suggestion by Mr. Gengo Suzuki (endorsed by Mr. Nurick of the Legal Department by cable), Mr. Friedman raised the question of the Japanese ratification of the convention on the Settlement of Investment Disputes. The Vice Minister said that a Bill for ratification had already been presented to the current session of the Diet, and he saw no difficulty at all in its being adopted at this session.

cc: Mr. Woods
" Knapp
" Kamarck
" Cargill
" Stevenson

FILES

May 3 1967

Bimal Jalan

Breakfast Meeting with Secretary Mapa and Mr. Virata of the
Philippine Presidential Economic Staff, Manila - April 11 1967

Mr. Friedman said that he would like to tell them where we were on the Philippines. Before doing this, however, he explained the organization of economic work in the Bank so that they would have a better appreciation of how economic decisions in the Bank were reached. He explained the function and organization of the Economic Committee and the Loan Committee. Attitudes on performance of countries represented carefully considered Bank views.

On Bank position on the Philippines Mr. Friedman said that we did not plan to make any further loans unless there was significant improvement in tax performance. Secretary Mapa asked whether we would regard a partial improvement in performance good enough or whether we would insist that the Philippines achieve the stated figure of P 300 to P 400 million in tax increases mentioned by Mr. Knapp in his meeting with President Marcos. Mr. Friedman said that a partial performance in terms of tax improvement would create a new situation and this would of course lead to a reappraisal of the Bank's attitude to the Philippines. However, the figures mentioned by Mr. Knapp represented the considered views of the Bank staff.

Commenting on the recent Bank economic Report, Secretary Mapa said that there had not been sufficient appreciation by the recent Bank economic mission of the efforts the Government was making to improve tax collection and administration. There were no major political difficulties involved in increasing tax revenues. President Marcos was determined to improve performance in terms of tax collection and tax increases where feasible, but he had been having difficulties with the Congress. Marcos had spent most of his political capital during the last few months in trying to push the Viet Nam War Bill through. This fact ought to be considered in appraising Marcos's performance in getting his tax bill through the Congress. Mr. Friedman said that the Bank as an international institution with the responsibility of administering international finances was not really in a position to give the same weight to internal political difficulties as might seem reasonable to persons within a country. He hoped, however, that the Bank's firm position on the Philippines would be a help to the Administration in convincing the Congress of the urgency of fiscal reform.

Secretary Mapa agreed completely with the need to improve tax performance but wanted a little more sympathetic consideration of the Philippine performance by the Bank.

Mr. Friedman urged frankness on the part of the Philippine officials in commenting on the Bank reports. If there was any difference on facts and analyses he hoped that the Philippine officials would let the Bank know. Efforts could then be made to resolve these difficulties at a technical level. He also hoped that the Philippines would keep the Bank fully informed, in concrete terms about the results of new economic actions.

cc: Mr. Woods Mr. Kamarck
 " Knapp " de Vries
 " Cargill " Owen

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Personal

AUG 16 2023

May 3, 1967

WBG ARCHIVES

My dear Governor Castillo:

Mrs. Friedman and I have finally returned from our trip and it proved to be most interesting, as we had expected.

I wish to thank you for the most interesting lunch, and the opportunity for our private conversation.

I would also appreciate very much if you would extend to Secretary Mapa and Mr. Jayme, on my behalf, our warm thanks for the hospitality shown to us by them. I know that I profited from my opportunity to speak to you, Secretary Romauldez, Secretary Mapa, Mr. Jayme, and others. Please be assured of my continued interest in the Philippines. I do wish you and your colleagues success in the difficult problems which you are trying so hard to solve.

I would also like to thank, through you, Mr. David and others on your staff who were so helpful to Mrs. Friedman and myself.

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. Andres V. Castillo
Governor of the Bank of the
Philippines
Manila, Philippines

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Personal

AUG 16 2023

May 3, 1967

WBG ARCHIVES

Dear Dr. Okita:

Please excuse my not writing sooner, but my wife and I have just returned from our trip. May I begin by saying how much we enjoyed the evening at your home.

I have read most carefully and with great profit the article which you kindly gave to me. All I can say is that I would endorse nearly everything in it, as it says, much better than I have been able to do, many of the things I have been writing and saying since 1949. I do hope that we will have occasion to pursue our exchange of views further, perhaps by your visiting us in the Bank or perhaps by my finding some occasion in Tokyo. We should find ways and means of closer collaboration, since I feel that we would profit a good deal by such association.

With warm regards,

Sincerely yours,

Irving S. Friedman

Dr. Saburo Okita
Director, Japan Economic Research Center
Otemachi
Chiyoda-ku
Tokyo, Japan

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AUG 16 2023

Personal

WBG ARCHIVES

May 3, 1967

My dear Vice Minister:

I would like to say again how much I enjoyed our conversation, and to express the thanks of my wife and myself for the lovely luncheon which you gave us. I have been in many places in Japan, as you know, but that was one of the loveliest I have seen anywhere, and the company was as splendid as the place.

I do hope I shall have the opportunity at some time to reciprocate the courtesy in Washington.

With warmest regards,

Sincerely yours,

Irving S. Friedman

Mr. S. Yamamoto
The Vice Minister
Ministry of International Trade and
Industry

Kasumiguseki
Chiyoda-ku
Tokyo, Japan

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Personal

May 3, 1967

My dear Ishida:

May I join with others in congratulating you on your new appointment. I do hope that it means you will be coming to Washington despite your aversion to foreign travel -- if nothing else, foreign travel will help you appreciate even more how much more rapidly Japan is progressing than other industrial countries!

If there is any way I can be of help, please call on me.

I am looking forward to the opportunity of exchanging thoughts with you again. Both of us have new responsibilities but I dare say underneath are not much different from the fellows who exchanged views many years ago on Japanese finance.

May I thank you again for our enjoyable outing.

With warmest regards from my wife and myself,

Sincerely yours,

Irving S. Friedman

Mr. Tadashi Ishida
President
The Export-Import Bank of Japan
Ohte-Machi
Chiyoda-Ku
Tokyo, Japan

Personal

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May 3, 1967

AUG 16 2023

WBG ARCHIVES

My dear Mayekawa:

Edna and I would like to thank you again for the lovely dinner which you gave us. It gave Edna an opportunity to understand why I have always enjoyed my visits to Tokyo so much in the past and why I look forward to making others in the future.

I do hope that there will be other closer ties between the Japanese financial and economic authorities and ourselves. I know that we both lead very busy lives, but I hope that despite all we will be managing to see each other in Washington, Basle, Paris, or possibly the North Pole!

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. Haruo Mayekawa
Executive Director
The Bank of Japan
Tokyo, Japan

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WBG ARCHIVES

Personal

May 3, 1967

My dear Kohichi:

Edna and I have finally returned from our round-the-world trip, exhausted but full of pleasant and exciting memories. Our two highlights were the weekend in Kyoto and a day spent at the Taj Mahal in Agra, India. For sheer enjoyment the Kyoto weekend was easily the nicest two days of our trip and for this we are most grateful to you, Hideo and your families.

I also appreciate all the other help you gave me, and do hope that at some time I will have the opportunity to reciprocate.

Thanking you again.

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. Kohichi Satow
The Bank of Japan
Tokyo, Japan

Personal

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AUG 16 2023

WBG ARCHIVES

May 3, 1967

Dear Mr. Horie:

Mrs. Friedman and I have returned from our trip. As we expected, the visit to Japan was among our most memorable experiences. I was delighted with the opportunity to exchange views with many old friends, particularly yourself.

My wife joins in saying thanks again for your lovely luncheon and in sending you warm regards.

I do hope if you have occasion to visit Washington or of attending our next Governors' Conference, you will find time for continuing our past exchange of views.

Looking forward to seeing you soon.

Sincerely yours,

Irving S. Friedman

Mr. Shigeo Horie
Chairman of the Board of Directors
The Bank of Tokyo Ltd.
Tokyo, Japan

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AUG 16 2023

Personal

WBG ARCHIVES

May 3, 1967

Dear Dr. Okita:

Please excuse my not writing sooner, but my wife and I have just returned from our trip. May I begin by saying how much we enjoyed the evening at your home.

I have read most carefully and with great profit the article which you kindly gave to me. All I can say is that I would endorse nearly everything in it, as it says, much better than I have been able to do, many of the things I have been writing and saying since 1949. I do hope that we will have occasion to pursue our exchange of views further, perhaps by your visiting us in the Bank for a few days or perhaps by my finding some occasion in Tokyo. We will find ways and means of closer collaboration, since I feel that we would profit a good deal by such association.

With warm regards,

Sincerely yours,

Irving S. Friedman

Dr. Saburo Okita
Director, Japan Economic Research Center
Otemachi
Chiyodaku
Tokyo, Japan

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AUG 16 2023

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WBG ARCHIVES

Personal

WBG ARCHIVES

May 3, 1967

My dear Nishihara:

I should have written sooner to thank you for the lovely lunch which you gave for my wife and myself, and to tell you how much I enjoyed our conversations; however, we got back from India just a few days ago and I was immediately plunged into the IDA exercise.

I must say that I have not yet recovered from your cogent remarks on the difficulties of changing institutions - no matter how well intentioned. I do hope that I will have the benefit of any thoughts you may have on where we ought to go and how we might best get there. I do think that the World Bank Group can make an ever increasingly important contribution if we have enough flexibility of outlook and procedure to adapt ourselves to a rapidly changing world.

Please let me know when you are visiting Washington - I hope this is soon.

With warm regards to you and Mrs. Nishihara from my wife and myself,

Sincerely yours,

Irving S. Friedman

Mr. Naokado Nishihara
6-101, Akasaka-Aoyama-Minami-Cho
Minato-ku
Tokyo, Japan

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AUG 16 2023

Personal

WBG ARCHIVES

May 3, 1967

My dear Hirata:

I would first like to thank you again for the warm reception which you gave Mrs. Friedman and myself in Tokyo. For her it was a memorable trip because it was the first; for me it was another most agreeable memory to add to my previous trips to Japan.

It has been many years since you and I first came to be concerned about the problems of Japan -- I guess it is now well over 10 years.

I am sure you will continue to be of important service to your country in the future. I do hope that we shall have occasion to see each other, either in Tokyo, Washington, or elsewhere.

I would appreciate if you would express to Mr. Ishihara my congratulations on his being your successor. I am sure that you are pleased that a person of his calibre is assuming your important responsibilities. As you know, Mr. Ishihara and myself have had many occasions to exchange views, of which perhaps the most memorable were those in connection with Japan's move to Article VIII and import liberalization.

I am looking forward to visiting Japan again and do hope that we will have many opportunities to see each other.

With warm regards,

Sincerely yours,

Irving S. Friedman

Mr. Keiichiro Hirata
Governor
The Japan Development Bank
5-5, Otemachi 1-Chome
Chiyoda-ku
Tokyo, Japan

A - Personal or
YPP

Mr. Van Wagenen

May 1 1967

Irving S. Friedman

I think you will be interested in the attached. This man called me in Bombay and I suggested that he write, as he did seem to be a possible candidate. However, I did warn him about the intense competition, particularly from India.

What would you suggest I reply? Or, if possible, I would prefer you replied.

Attachment: K. Banerji
28 Altamount Rd.
Cumbulla Hill
Bombay 26, India

Mr. Kamarck

May 1 1967

Irving S. Friedman

DAC Working Party Meeting on Financial Aspects of
Development Assistance

I gather from Mr. Evarts, the Chairman of the DAC Working Party on Financial Aspects of Development Assistance, that it is hoped to have a substantive discussion on supplier credits at the meeting on June 6 and 7. He urged that we send someone familiar with the Bank staff study to this meeting.

I hope it will be possible for Mr. Sacchetti to attend this meeting. If it comes off I gather that he will in any case be in Europe on home leave. He could interrupt it for a couple of days to attend the meeting.

cc: Mrs. Boskey
Mr. Sacchetti