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THE WORLD BANK
Washington, D.C.

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McNamara papers

Contacts
United Kingdom (1970-1973)

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President's papers - Robert S. McNamara Contacts with member countries: United Kingdom - Correspondence 02

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OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Peter Bocock *PWB*

SUBJECT: Visit of Mr. Brian Reading

DATE: January 23, 1970

I attach copies of the correspondence between you and Mr. Edward Heath about Mr. Reading, together with a copy of his curriculum vitae.

Appointments have been fixed for Mr. Reading on Thursday, February 5, as follows:

| | |
|-----------------|------------------|
| 9:15 | Mr. Chadenet |
| 10:15 (approx.) | Mr. Chaufournier |
| 11:15 (approx.) | Mr. Friedman |
| (Lunch | Mr. Bocock) |
| 2:30 | Mr. Rotberg |
| 3:30 (approx.) | Mr. Avramovic |
| 4:30 (approx.) | Mr. Adler |

Your office has told me that you will be able to see Mr. Reading at 5:00 pm on Friday, February 6. Before seeing you, he will also have seen Mr. Gaud.

Attachments

cc: Mr. William Clark

Mr McNamara: Background material
for your Spm mty
on Friday 2/6

BRIAN READING

Born 28th January 1936

lee 2/4

Educated Scarborough College, Yorkshire

Wadham College, Oxford 1955-8

Durham County Major Scholarship 1954

State Scholarship 1955

Distinction 1st public examination PPE preliminary 1956

1st class Honours PPE finals 1958

George Webb Medley Senior Scholarship 1958

State Studentship 1958

Nuffield College 1958-60

Lecturer in Economics, Christ Church, Oxford 1960-3

Seconded to the Bank of England 1962-3

Economic Adviser, National Economic Development Office 1964

Economic Adviser, Department of Economic Affairs 1964-6

Conservative Research Department 1966-

At Oxford, Mr Reading did research on foreign exchange rates and in particular operations of the forward exchange market and the foreign sterling markets such as transferable sterling. During this period he was supervised by Sir Donald MacDougall and Sir Roy Harrod.

At the Bank of England, he advised on monetary statistics and was responsible for writing the analysis of financial statistics which appeared in the Bank of England Bulletin. He was also co-author of some of the articles (unsigned) which appeared in the Bulletin. He worked on the development of flow of funds statistics in the United Kingdom and on international questions, in the particular the Maudling initiative. During this period he was working with John Fford and Maurice Allan.

At the National Development office he worked on short-term forecasts and their financial implications. This work continued in the Department of Economic Affairs where he was a member of the short-term forecasting committees which prepared the official forecasts. He also worked on the Rhodesian Sanctions Committee.

Since joining the Conservative Research Department, he has worked on all aspects of economic policy and in particular has been Secretary of the Party's Economic Policy Group. He has also done much of the work on the proposals for tax reform.

President has seen

BRIAN READING - PUBLICATIONS

The opportunities to publish in his own name have been limited because of the nature of his work, but they include:-

The forward £ Economic Journal, June 1960

The Eurodollar - Tonic
of Toxic ? Banker's Magazine

Balance of Payments
credibility Banker's Magazine

Old Queen Street papers

Savings Option Scheme

Buoyancy of taxes on personal income

Conservative Political Centre pamphlets

Government by Deceit

In place of Growth

November 25, 1969

Dear Ted:

It was good to see you again during my brief stay in London. I, too, greatly enjoyed our lunch together, for which I should have written to thank you before now.

I shall be delighted to do all I can to help Brian Reading. Unfortunately, I plan to be abroad on Bank business from the 6th to the 19th of January, and I gather his current plans bring him to Washington at just that time. If there were any chance of his being able to rearrange his schedule, I would be glad to see him; in any case, I shall certainly make arrangements for him to meet senior Bank officials during his stay. I will have one of my staff write Mr. Reading to coordinate these arrangements.

With kindest regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

The Rt. Hon. Edward Heath, M.B.E., M.P.
House of Commons
London, S.W. 1, England

Bocock:pay

OFFICE MEMORANDUM

TO: Mr. Clark

FROM: Peter Bocoek *P.B.*

SUBJECT: Attachment and Draft

DATE: November 24, 1969

Brian Reading, the subject of Mr. Heath's letter to Mr. McNamara, was a close colleague of mine for nearly two years, and had already written to me to say he was coming here. I attach our correspondence.

Brian joined the Conservative Research Department a year after I did, and has worked since 1966 as Mr. Heath's personal adviser on technical economic matters. He is an exceptionally able and tough-minded economist, who has taught at Christ Church, and worked both in the Treasury (or the Bank of England, I'm not now sure which) and the Department of Economic Affairs.

As an influential source of advice to Mr. Heath, Brian should be briefed thoroughly by senior Bank staff, with whom he can talk on a professional level about all aspects of development economics.

As I know him well, I would be delighted to act as Brian's non-technical Virgil on his tour of the Bank after my return to Washington on 10th January. As I mentioned to you when we spoke, I would strongly recommend that he meets Mr. McNamara, if possible, after he has spent some time in the Bank: as far as I know, development economics is not his specialty, and he would be more able to ask meaningful questions after serious exposure to the Bank's thinking.

PB:ij

1173 12 Mr. Clark
From: The Rt. Hon. Edward Heath, M.B.E., M.P.



Walton, Dept. do
you suggest. Please
19th November 1969.
Draft a proposal
affly. Encl

Am Bob.

I am writing to ask for your help over a visit to the United States in January of Brian Reading, a young economist of considerable distinction, who has for three years been working for my colleagues and myself in the Conservative Party.

Brian Reading is visiting the United States under the auspices of the State Department and is particularly keen to study the prospects for the U.S. economy and for the solution of current problems in the international monetary field.

It would of course be an enormous help to him if you were able to spare him some minutes of your own time, but in any case he would welcome the chance of a discussion with members of your staff.

Brian Reading will get in touch with your office direct, and I should be most grateful for any help which you are able to give him.

I to have enjoyed an hour
together - it was good of you to come.
Best Y wishes
Ed Heath

Mr. Robert S. McNamara.

Visit of the United Kingdom Minister of Overseas Development

Record of Discussion

Mrs. Judith Hart, the United Kingdom Minister of Overseas Development, called on Mr. McNamara at 4 p.m. on Wednesday, February 25th. She was accompanied by Sir Geoffrey Wilson, Mr. Derek Mitchell, Mr. Knapp and I were also present.

The discussion turned mainly on the question of the Third Replenishment of IDA. Mrs. Hart said that the U.K. Government would support a replenishment of up to \$1 billion a year subject to the following three points: (i) the United Kingdom had, for some time past, felt that their share in IDA contributions was too high. If other governments, however, were prepared to maintain their present share, the United Kingdom would not ask for a reduction in its share. They assumed that, in any event, there was no question of their share being increased; (ii) the United Kingdom would feel some concern if there were any question of the percentage of IDA funds allocated to India falling below the present level of 40%; (iii) the United Kingdom attached importance to greater flexibility in operational policies, particularly on the question of program lending.

Commenting on these points, Mr. McNamara said that he had felt it to be too soon to study seriously the question of burden-sharing in the Third Replenishment. He would think it inconceivable that the U.K. share should be increased. The U.S. Administration felt that the chances of ratification by Congress would be improved if there were some small reduction in the U.S. share. He had urged the U.S. Administration to take a strong line with Congress on this. What would the British attitude be if there were to be some reduction in the French share?

The United Kingdom representatives thought that such a reduction could, at a pinch, be accepted if it were clearly necessary but that if the U.S. share were to be reduced, that would be another matter.

As regards the allocation of IDA funds, Mr. McNamara said that India was receiving in aid a disproportionately low share of the world's resources. He would certainly favour a larger volume of lending to India, both absolutely and as a percentage of the total if this were politically practicable. The danger was that to talk of increasing the percentage of IDA funds going to India might mean that agreement could only be reached on a lower total for the Third Replenishment and hence a lower absolute amount of IDA lending to India. He would certainly not support a share for India of less than 40% at the present level of commitments. He was not, at the present time, able to say what the Indian share might be for higher totals. If commitment authority was obtained at the rate of \$1 billion a year, he would be surprised if it proved practicable to allocate to India as much as 40% of the second \$500 million. There would certainly have to be an increase in the percentage share of the total going to Latin America, especially Brazil. The United States Administration could not get political support for a higher level of replenishment unless this were so. Similarly, the French Government would press for a higher share of the total for French-speaking Africa and the Japanese would press the claims of Indonesia. All these regions would get more absolutely. What their proportionate share should be was a matter of the effect that this might have on the prospects of securing a Third Replenishment at a high level.

In reply to a question from Sir Geoffrey Wilson, Mr. McNamara said that he did not think there was any case for continuing balance of payments safeguards for the United States in the Third Replenishment and certainly not in the form in which they had had them in the past.

Turning to the position of individual governments on the Third Replenishment, Mr. McNamara said that pressure should be brought to bear on the German, the U.S. and the Japanese Governments. He had some hope that the U.S. representative would speak affirmatively at the meeting in London on March 9th and 10th in favour of replenishment at a level of \$1 billion. There was no prospect that the German representatives would do so. The German Government must be given more time to make up its mind.

Mrs. Hart said the United Kingdom Prime Minister had it in mind to discuss this question with the German Chancellor, Herr Brandt, when he visited London in the following week. Mr. McNamara strongly welcomed this proposal. In his view it would be in the interests of Germany to put greater emphasis on multilateral aid which would be in harmony with the general direction of German foreign policy.

Mr. McNamara said that he did not know what the Japanese position would be. He had had some discussion with Prime Minister Sato about this and thought that the Japanese Government would, in any event, support a substantially higher amount though, at a level of \$1 billion annually, they would probably wish to raise the question of the terms of IDA lending. They appeared to be in favour of an intermediate category of IDA credits with an interest rate of, say, 3%.

In dealing with all these three governments, there was little prospect that they would achieve a target of .70% of GNP in official development assistance within the near future. The important point was to press them to do better than their present level.

Mrs. Hart strongly agreed with this and said that the difficulty about the .70% target was that most countries did not plan their public expenditure for more than a few years ahead. Their increases in official development assistance must be gradual.

On the question of the operational policies of IDA, Mr. McNamara said that the issue seemed to him to be a question of the schedule of disbursements. There was no particular virtue in any one technique of lending as such. What was important was to work out a desired schedule of disbursements and adjust our lending program to it. There was every prospect that commitments to India would, in fact, be slightly higher than the target level of \$236 million for the time being because of lags elsewhere in the lending program.

Sir Geoffrey Wilson urged that too much regard ought not to be paid to the requirements of the Articles of the Bank and IDA in deciding between program and project loans.

Mr. McNamara said that the provision for "exceptional cases" seemed to him to be wide enough for any reasonable requirements, particularly if advantage was

taken of the similar provision in regard to the financing of local currency expenditure. For example, the Association had just made a substantial credit for the Kadana Irrigation Project. This not only involved a substantial amount of local currency expenditure, it was also intended to finance a project which was already underway. It should, therefore, be a quick disbursing credit.

In reply to a question from Mr. Knapp about the allocation of IDA funds, Sir Geoffrey Wilson said that the United Kingdom attached more importance to maintaining the percentage for India than they did to maintaining that for Pakistan though they hoped that lending to Pakistan would be continued at a high level.

Mrs. Hart then raised the question of finance for the Caribbean Bank. Mr. McNamara said that while there could be some question whether the Caribbean Bank should be compared to the regional banks or to private development agencies, such as ADELA, he would be prepared to think about finance from World Bank funds for the Caribbean Bank.

D. H. F. Rickett
February 27, 1970

24

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 25, 1970

FROM: William Clark *WCL*SUBJECT: Messrs. John Grist and Jeremy Murray Brown

The two B.B.C. staff members who are to call on you tonight are:

John Grist, who is in charge of Public Affairs T.V. broadcasts (was once head of Nigerian broadcasting).

Jeremy Murray Brown, a very intelligent script writer/producer whose program on "The Sixties" was the talking point of Britain last New Year. You can rely on him to produce a viewable, intellectually viable series.

The series is to be of eight 50 minute programs, with Barbara Ward as the link.

They are to deal with the sort of world it is reasonable to expect in the next 30 years, and the sort of life we may be able to live in it. The whole is dominated (this agreed in advance talks) by the rich/poor axis, but it is not a series on aid or development.

It is hoped that you will say something of the moral imperative of aid for development, but continue with views on the social dynamics of the future.

The dates of showing are not certain because of election date uncertainties, but not before April '71. They will be shown twice, first on B.B.C.2 then on the more popular channel B.B.C.1. Cost about \$500,000. Research to begin in a few weeks if go-ahead is given, and no camera work till six months after research starts.

WDClark:sf

President has seen

OFFICE MEMORANDUM

TO: Mr. Leif E. Christoffersen

DATE: June 30, 1971

FROM: Denis Rickett

SUBJECT: Meeting between Mr. McNamara and Sir Samuel Goldman, May 7, 1970

You asked me to record whatever I could about the conversation which took place between Mr. McNamara and Sir Samuel Goldman on May 7, 1970.

2. You have already a copy of a background note on Sir Samuel dated May 6, 1970, which I gave Mr. McNamara.

3. As explained in that note, Sir Samuel Goldman was in Washington for discussions with U.S. Government agencies about the techniques of planning, programming, and budgeting adopted here. Sir Samuel's visit to Mr. McNamara was, to some extent, a courtesy call but I recollect that they had some discussion about the importance of advance programming. Mr. McNamara made some reference to the five-year program of lending and borrowing operations which he had instituted when he first became President of the Bank. Sir Samuel, for his part, talked about the work he was doing in preparing the U.K. White Paper on Government Expenditure which contained five-year forecasts of expenditure under the main categories.

For 3.40 mtp
on 5/7

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 6, 1970

FROM: Denis Rickett

SUBJECT: Sir Samuel Goldman

You have agreed to see Sir Samuel Goldman tomorrow afternoon.

2. He holds the rank of Second Secretary in the United Kingdom Treasury and is slightly senior to Sir Frank Figgures, the other Second Secretary whom you saw here not long ago. He is thus one of Mr. Jenkins' most senior advisers in the Treasury.
3. His responsibility is for all questions of public expenditure and he has been particularly active in supervising the preparation of the White Paper issued in November last year containing five-year forecasts of U.K. expenditure. In this capacity he has some say in Treasury policy in regard to aid expenditure in a global sense though the detailed policy is a matter for Sir Frank Figgures.
4. Sir Samuel Goldman, who is 58 years old, took first-class honours in Economics at London University and, after a period in the City, joined the Bank of England. He was transferred to the Treasury in 1947 to help to improve the statistical organization of the Treasury. He has served there since without interruption except for a short period in Washington when he was Alternate Executive Director of the Bank.
5. His main interest in coming to Washington is to learn as much as possible of the techniques of planning, programming, and budgeting adopted here. He would, therefore, be particularly interested in your views on this question.

President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 13, 1970

FROM: William Clark *WCC*

SUBJECT: Appointment with Lord Aldington

If as now seems likely you have to be in New York on Monday 20th this clashes with your appointment with Lord Aldington, who was coming here especially to see you and Bill Gaud - who is now on vacation.

I think Aldington (see attached biographic note) is about the most important banker in England today from our point of view, and he is tipped to become Chairman of the Conservative Party. I also know you would like each other.

Would you be able to do any of these:

1. See him in New York for at least a half hour.
2. Come to my dinner for him in Washington.
3. Give him dinner in New York, or Washington. (I really do not want to bring him to Washington if he sees neither you nor Gaud).

I hope we can telegraph him very soon.

WDClark:sf

*unofficial
4:30
Monday
in N.Y.
has to be
done
Waltham*

2nd s. of Hugh Aldersey of Aldersey; m. 1st. 1927, Rachel (d. 1948), d. of Commander Gausson, Brockman's Park, Hertfordshire; two s. two d.; 2nd, 1949, Beatrice Maude, c. d. of late Charles Stonor, Treadlar Bay, Anglessey; one s. *Educ.*: Radley College. *Business*, 1909-14; *Army*, 1914-19 (twice wounded, despatches). *Recreations*: hunting, shooting, etc. *Address*: Aldersey, Chester. *T.A.*: Clutton. *T.*: Broxton 265 (Aldersey Estate Office), 278.

ALDERSON, Rt. Rev. Cecil Williams; see Mashonsland, Bishop of.

ALDERSON, Sir Harold George, Kt., cr. 1958; M.B.E. 1938: Chairman of the Olympic Federation of Australia; Hon. Secretary Anniversary Day Regatta since 1929; President New South Wales Olympic Council since 1926; b. Balmain, N.S.W., 18 August 1891; s. of J. B. Alderson, Sydney; m. 1915, Rose Stella, d. of W. F. Wills; one d. *Educ.*: Mosman Sup. Public School, N.S.W. Hon. Manager Australian Olympic Team, Berlin, 1936; Member organising council, British Empire Games, Sydney, 1938; President Australian Rowing Cl., 1928-1934, 1939-52, 1958; Chm., N.S.W. Rowing Association, 1921-58, Hon. Secretary, 1918-1920; Member Executive Organising Committee Olympic Games, Melbourne, 1956 Member Council National Fitness, N.S.W. Hon. Treasurer St. John Ambulance Association, K.St.J. *Address*: 10 O'Connell Street, Sydney, Australia. *Clubs*: N.S.W. Sports Union of Old Oarsmen.

ALDERTON, George Edwin Leslie, C.M.G. 1954: High Commissioner for New Zealand in the Commonwealth of Australia, 1950-1958; b. Whangarei, New Zealand, 11 Jan 1888; s. of G. B. Alderton; m. 1915, Kathleen, d. of J. Leonard. *Educ.*: Whangarei High School; Grammar School and University College, Auckland. *Barrister and Solicitor* (Wills Alderson and Kingston) Auckland. *Judge*, Auckland Racing Club 1947-49; *Transport Appeal Board and Co-ordination Board*, 1934-36; *Director* Devonport Ferry Co. and North Shore Transport Co.; *Chairman* Auckland Division, National Party, 1928-37; *Vice-President*, New Zealand National Party, 1938. In *E.N.V.R.*, 1915-18, and *R.N.Z.N.V.R.*, 1939-42. *Address*: 32 Portland Road, Auckland, S.E.2, New Zealand. *Clubs*: Northern, Officers, Auckland Golf (all in N.Z.).

ALDRINGTON, 1st Baron, cr. 1962; *Tobey* (Austin Richard William) Lew, P.C. 1954; K.C.M.G. 1957; C.B.E. 1945 (M.B.E. 1944); D.S.O. 1941; T.D. and clasps, 1950. *Chairman*: National and Grindlays Bank Ltd.; *General Electric Co. Ltd.*; *Director*: John Brown and Co.; *Dorman, Long and Co. Ltd.*; *English China Clays Ltd.*; *London Assurance*; *Sun Alliance and London Insurance Ltd.*; *National Discount Co. Ltd.*; *Lloyds Bank*; *Exporters Refinance Corp. Ltd.* (Chm.); *United Power Co. Ltd.* (Chm.); *Wm. Brandt's Sons & Co. Ltd.*; *Barrister-at-law*; b. 25 May 1914; s. of Col. Stuart Lew, D.S.O. (killed at sea by enemy action, Dec. 1942), and of late Hon. Mrs. Spear; m. 1947, Araminta Bowman, c.d. of Sir Harold MacMichael, q.c.; one s. two d. *Educ.*: Winchester; New Coll., Oxford. *Called to Bar*, 1939. *T.A.*: 2nd Lt. 1934; *Brig.* B.G.S. 5 Corps Italy, Aug. 1914-June 1945; served Greece, Crete, Egypt, Libya, Tunisia, Sicily, Italy, Austria (D.S.O., M.B.E., C.B.E.). *Croix de guerre avec palmes*, *Commander of Legion of Merit*, U.S.A.; *Hon. Col.* 283 L.A.A. Regt. R.A. (T.A.), 1947-59. *M.P.* (C.) Blackpool North, 1945-62; *Parliamentary Secretary*, Ministry of Supply, 1951-1954; *Minister of State*, Board of Trade, 1954-57; *Deputy-Chairman of the Conservative Party Organisation*, October 1959-63. *Member Board of Governors*, National Hos-

pital for Nervous Diseases; *Committee of Management*, Inst. of Neurology (Hon.). *Recreation*: golf. *Helm.*: s. Hon. Charles Harold Stuart Lew, & 22 June 1948. *Address*: 19 Cadogan Gdns, S.W.3. *T.*: Sloane 1856; Knoll Farm, Aldington, Kent. *T.*: Aldington 292. *Club*: Carlton, Brook's.

ALDRINGTON, Sir Geoffrey (William), K.B.E. 1965 (O.B.E. 1946); C.M.G. 1939; b. 1 June 1907; s. of late Henry William Aldington; m. 1932, Roberta Finch; two d. *Educ.*: City of London School; Magdalen Coll., Oxford. *Student Interpreter*, China Consular Service, 1929; *Vice-Consul* (Grade II), Chint, 1931; *Vice-Consul*, Peking, 1931-1935; *Private Secretary* to H.M. Minister, Peking, 1933-35; *Foreign Office*, 1935-1937; *Acting Consul*, Chungking, 1937-1939; *Consul*, Tsingtao, 1939-41; *seconded to Min. of Information*, 1942-43; *Acting Consul-Gen.*, Hankow, 1943-44; *Supt.*, *Consul*, Shanghai, 1944-47; *Foreign Office*, 1947-50; *Political Adviser* to Hong Kong Govt., 1950-53; *Consul-Gen* Zaire, Yugoslavia, 1954-56; *Consul-General* at Philadelphia, Pa., U.S.A., 1956-61; *H.M. Ambassador* to Luxembourg, 1961-66; also *Consul-General*, Luxembourg, 1962-66; *ret'd.* from H.M. Diplomatic Service, December 1966. *Recreations*: tennis, riding, reading. *Address*: The Copse, Poundham, Scunbury, Berks.

ALDRINGTON, Hubert Edward; C.B. 1947; M.Inst.C.E.; M.I.Mech.E.; M.Inst.E.E.; *Consulting Civil Engineer*; *Member Board of Amalgamated Roadstone Corporation and associated cos.*, 1949-65, *ret'd.*; b. 9 Sept. 1883; 2nd s. of late Rev. J. Arthur Aldington; m. 1918, Emily (d. 1967), 2nd d. of late Jas. Wm. Graham, Hong Kong and Northumberland; no c. *Educ.*: Kingwood School, Bath. *Served several years on staff of G.W. Rly.*, also on Australian State Rly., in Adelaide. *Served European War*, 1914-19 (despatches). *Major R.E. County Surveyor of Cornwall*, *Chief Highway Engineer*, Ministry of Transport, 1945-49. *President*, Inst. Highway Engineers, 1957-60. *Jubilee Medal*, 1935. *Coronation Medal*, 1937. *Address*: 22 High East Street, Dorchester, Dorset. *Club*: Royal Automobile.

ALDRINGTON, John Norman, B.Sc., Ph.D.; F.R.I.C.; F.Inst.P.; F.I.E.E.; *Director*, Associated Electrical Industries Ltd.; *Chairman*: The London Electric Wire Co. and Smiths Ltd.; *Submarine Cables Ltd.*; *Seastation Telecommunication Ltd.*; b. 2 March 1905; s. of Allen Aldington, Preston, Lancashire; m. 1930, Edna, d. of late John James Entwistle; one s. *Educ.*: Bishaws Gram. Sch., Leyland; *Harris Inst.*, Preston. *Joined Siemens Electric Lamps and Supplies Ltd.*, 1923; *Head of Laboratories*, 1935; *Dir. of Research*, 1948; *Dir. of the firm*, 1948; *Dir. Alfred Graham & Co. Ltd.*, 1950; *Man. Dir. of Siemens Bros. & Co. Ltd.*, 1955. *Fell. and Past Pres.*, Illuminating Eng. Soc.; *Leon Gaster Memorial Award*, I.E.E., 1945 and 1947; *Crompton Award*, I.E.E., 1949; *Mem. Amer. Illum. Eng. Soc.*, 1950; *Chm. of Light Sources Secretariat*, *Internat. Comm. on Illumination*, 1915-54; *Mem. various B.S.I. Cities*. *Part-time Lectr.* Harris Inst., Preston, 1928-38; *Gov.*, Preston Gram. Sch., 1950-55; *J.P.* Duchy of Lancaster, 1953-55. *M.R.I.* 1958. *Publications*: *The High Current Density Mercury Vapour Arc*, 1944 (theats. Lond. Univ. Library); *numerous papers*, particularly on light sources and kindred device, and on high current discharges and xenon gas arc. *Recreations*: gardening and golf. *Address*: White Oaks, 39 Forest Drive, Neston, Kent. *T.*: Fernborough 52904. *Club*: Athenaeum.

ALDRIDGE, Brian Wilson; *Writer*; *Literary Editor*, Oxford Mail, since 1958; b. 18 Aug.

1925; s. of Stanley and Elizabeth Aldridge; m. 1935, Margaret Mauchon; one one s. and one d. (both by previous marriage). *Educ.*: Framingham Coll.; West Herts School. *Royal Signals*, 1943-47; *Boys' Brigade*, 1947-56; *Writer*, 1959-67; *British Science Fiction Assoc.*, 1960-61; *Editor*, SF Horizons, 1964-65. *Publisher*: *The Brighton Diaries*, 1955; *Space 7* and *Nathaniel*, 1957; *Non-Stop*, *The Canopy of Time*, 1959; *The Male Healer*, 1961; *Hothouse*, 1962; *Best Fantasy Stories*, 1962; *The Aims of Earth*, 1964; *The Dark Light Years*, 1964; *Introductions*, SF, 1964; *Greybeard*, 1964; *Dead Stories* of Brian W. Aldridge, 1965; *Essays*, 1966; *Cities and Stones*, A Travelogue, 1966; *An Age*, 1967. *Recreations*: travel, introspection. *Address*: 3 Mice House, Holton, Wheatley, Oxford. *Wheatley* 837.

ALDOUS, Guy Travers, C.O. 1956; *Aug.* 1909; s. of R. G. Aldous, 42nd Hall, Suffolk; m. 1932, Elizabeth Ann Paul; four s. one d. *Educ.*: *Hart Trinity College*, Cambridge, M.P.H. Sup. 1953-50. *Essex and Suffolk*, 1957-60. *Hon.*: hunting. *Address*: 6 Pump Co. Temple, E.C.4. *T.*: Central 8588; *Fry House*, Suffolk. *Club*: Royal Automobile.

ALDRIN TURNER, Dr. J. W.; see Turner

ALDRICH, Winthrop Williams; *Lawyer*, *banker*, *diplomat*; *retired*; *Trustee*, *Presbyterian Hosp.*, N.Y.; *Trustee*, *Riverside Church*, N.Y.; *Vice-President*, *Trustees*, *The Pilgrims of the United States*; *Member Advisory Council*, *School of Inter-American Affairs*, *Columbia University*; *Member Visiting Officer*; *Harvard Center for International Affairs*; *Hon. Member*, *Mt. Temple*, 1955; *b. Providence*, Rhode Island 2 November 1889; s. of Nelson Winthrop Aldrich and Abby Pierce Chapman Green; m. 1916, Harriet, d. of Charles B. Aldrich, New York; one s. four d. (and one s. *deceased*). *Educ.*: *Harvard University* (A.B.), *Yale Law School* (LL.B.). *Admitted* *New York State Bar*, 1912; *Mem. Inst.* *Byrnes*, *Cutcheon* and *Taylor*, 1916-17; *see as Lieut.* *U.S. Naval Reserve*, 1917; *Mem. law firm Murray, Aldrich & W.*, 1919; *Pres.* *Equitable Trust Co.*, 1919; *President*, 1930-34. *Chairman of Board Directors*, 1934-59, of the *Chase Natl. Bank*; *Ambassador to the Court of James*, 1953-57. *Honorary* *D.D.* *LL.D.*: *Colgate University*, 1937; *Northwestern University*, 1938; *Washington and Jefferson College*, 1938; *Brown University*, 1944; *Lafayette Coll.*, 1945; *Columbia Univ.*, 1946; *Bryant Coll.*, 1947; *Gettysburg Univ.*, 1952; *Harvard Univ.*, 1953; *Queen's Univ.*, Belfast, 1955; *Fell.* *Liverpool Eng.*, 1956; *Univ. of Rhode Island*, 1955; *Tuskegee Inst.*, 1967; *D.S.C.* *York University*, 1959; *D.Sc.* *Stanford of Technology*, 1957. *Decorations*: *Order of Merit*, U.S.; *Knight Grand Cross* *Order of the British Empire* (Hon. G.I. Associate K.St.J.); *King's Medal* for *services in the Cause of Freedom*, G. 1941; *Légion d'Honneur*, France; *Comandante* of *Leopold*, *Grand Officer of Order of Crown*, Belgium; *Grand Officer of Orange Nassau*, Netherlands; *Grand Officer of Oak Crown*, Luxembourg; *Knight of Order of Pius IX*, Vatican. *Member* *Royal* and *Ancient Golf* (St. James Metropolitan (Washington, D.C.)) (R.L.), *Racquet*, *Harvard*, *Phi Kappa* U.S., *Kniekerbocker*, *Pigma* (Brook, Century, Links, New York (New York)). *Address*: 666 Fifth Ave., New York 21, N.Y., U.S.A.

ALDRIDGE, (Harold Edward) 1st Author; b. 10 July 1912; s. of Thomas Aldridge and Edith Gwynne Aldridge.

May 27, 1970

Dear Toby,

Both Mr. McNamara and Mr. Gaud would be glad to see you on Monday, July 20.

I would very much like to have you to dinner with three or four colleagues who would be of interest to you. Would you like that, or do you want to keep dinner free?

Also would you like to stay the night in my house? You could go straight from there to the airport on Tuesday a.m.

Yours ever,

William Clark

Lord Aldington
National & Grindlays Bank Ltd.,
23 Fenchurch Street,
London, E.C.3
England

WDClark:sf

President has sent



NATIONAL
AND
GRINDLAYS
BANK LIMITED

23 FENCHURCH STREET LONDON EC3

TELEGRAMS MINERVA LONDON EC3
TELEX NUMBERS 885043-6
TELEPHONE 01-626 0545

CHAIRMAN

20th May, 1970

When we had that very useful talk in my GEC Office I said I might be able to be in Washington some time in July. It looks now as if I can be in Washington in the afternoon of Monday, 20th July. I would be flying over in the morning from New York and arriving in Washington round about two o'clock. If you could arrange for me to meet one or two of your top people, including yourself, say from 3.30 onwards, that would make my visit well worth while. I have to be in New York for a meeting of the First National City Corporation at noon on the Tuesday and, alas, I have to be in London for a meeting at midday on Wednesday.

If you say that this trip would not be worth my while, then I would come over in October and I would try to spend the whole of Monday, the 19th October, in Washington.

Please say which is better.

Mr. William Clark,
International Bank for Reconstruction and Development,
1818 H. Street, N.W.,
Washington DC. 20433,
U.S.A.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: September 10, 1970

FROM: William Clark

SUBJECT: Miss Deane (Economist) 5.30 p.m.

As you will remember she is a rather critical, unenthusiastic person, but of great influence in the Economist and in London.

I think the object of this talk should be:

(a) To flatter her, of course you expect to see her when she is in Washington even though this last week is so busy. You would like her to have a copy of the speech, but please don't show it to others because you have had to refuse it to E.D.'s and Governors etc. You might also ask her some questions about U.K. policy, new Government etc.

(b) She is critical that we do not do enough for "the poorest" (her complaint in 1968). You remember this and have thought about it hence big replenishment of IDA; hence concern with bottom quartile of population; hence concern about farmers' incomes; the social aspects of development. Above all your concern about the slowness of the whole process of development ... look at the gap in 2000. Can we contain the situation.

(c) What are your real worries and frustrations. Not slow disbursement, but slow development. And lack of concern amongst the Rich countries with these problems rather than their own ills.

(d) You might care to pick her brains a little about trade-debt, showing your concern but not revealing your hand.

WDClark:sf

President has seen

MEMORANDUM FOR THE RECORD

Annual Meeting 1970 - Discussions with Part I Countries - United Kingdom

The Chancellor of the Exchequer, Mr. Anthony Barber, and Sir Leslie O'Brien, Governor of the Bank of England, accompanied by Sir Douglas Allen and Sir Geoffrey Wilson, called on Mr. McNamara this morning at 9:00 a.m. Mr. Burke Knapp and Sir Denis Rickett were also present.

In a preliminary exchange of courtesies, the Chancellor said that he would certainly pass on to the U.K. Minister of Defence Mr. McNamara's observations on arms spending. Mr. McNamara said he was convinced that very big savings could be made merely by cutting out wasteful expenditure. The SALT talks were making progress largely because the Russians wished to save money on arms. Too many of the developing countries had over-inflated defence budgets, for example, India, Korea, Taiwan and several of the Latin American countries. Mr. McNamara then thanked the Chancellor warmly for the support given by the British Government in the negotiations for the Third Replenishment of IDA. The lead which they had given had had an important influence on other countries just as it had in the case of the discussions on advance contributions to the Second Replenishment at the end of 1968.

The Chancellor said that the credit for this was of course due to the previous government but aid was a matter on which there was little difference of view between the parties in the United Kingdom.

Some discussion followed about non-project lending and the financing of local currency expenditure. Mr. McNamara said that he had noted the Chancellor's comments on this. These were subjects covered in two of the Pearson Commission's recommendations which had not yet been discussed by the Executive Directors. He had wished to avoid unnecessary controversy while the Third Replenishment negotiations were in progress. These subjects would, however, be taken up now and considered seriously by the Board.

The Chancellor said that while he had referred in his speech to the importance of non-project aid, and it was undoubtedly right in principle where circumstances demanded it, nevertheless his own view was that it would need very careful supervision. It was important to avoid, as far as possible, any wasteful use of aid which would always be seized upon and magnified by hostile critics.

Mr. McNamara said that this was undoubtedly so. The German and the United States Governments felt strongly on this point. Congress was paying more and more attention to the operations of international bodies and would try to exercise increasing surveillance over them. The Bank Group must avoid any charge that they were financing improvident governments.

The Chancellor agreed and said that surveillance could only be exercised by the Executive Directors. It would create an impossible position if the U.S. or any other governments tried to carry out their own audit of the operations of international organizations.

Mr. McNamara then raised the question of the International Investment Insurance Agency. The Chancellor said that there had been some brief discussion of this at the Commonwealth Finance Ministers Meeting in Cyprus.

President has seen

He was not, himself, ready to express a view on it though his preliminary feeling was that it was important not to do anything to undermine the sense of responsibility in recipient countries.

The Governor of the Bank of England said that the World Bank performed an enormously useful function in promoting proper treatment for private investment in the developing countries. Mr. McNamara said that the Bank always tried to do this but it raised serious problems about their lending policy towards countries whose treatment of private investment had not been satisfactory. He mentioned four or five examples of such countries. The developing countries must provide the right environment for private capital since the 1% target for total flows could not be met unless it included substantial private flows. The proposed International Investment Insurance Agency could, he thought, be of help in this connection. The question was due to be discussed at a meeting of the Committee of the Whole in two weeks time. The Chancellor said that he had been impressed by the frankness with which some of the developing countries had spoken in Nicosia about the need for encouraging private investment from overseas.

Mr. McNamara then referred to the question of external indebtedness and said that we should be pleased to have the views of the U.K. Government on this question. He had asked Sir Denis Rickett to take charge of the Bank's work on it. While it was necessary to avoid public discussions which might be bad for the credit of developing countries, it must be acknowledged that there were serious problems to be faced in the next five to ten years. The Bank, itself, would have to be careful not to overload developing countries with loans on hard terms. The Bank would try to provide leadership in the handling of this problem. It could not, however, undertake to reschedule Bank loans because of the effect which this would have on the Bank's borrowing in world capital markets.

The Governor of the Bank of England said that care must also be exercised in the treatment of private indebtedness if such funds were not to dry up in future.

In conclusion, the Chancellor expressed his great confidence in the way in which the Bank was tackling its task under Mr. McNamara's leadership. It was good to have a businessman at the head of affairs.

Mr. McNamara thanked the Chancellor once more for the support of the British Government and referred to the helpful advice given by the Bank of England on the investment of the World Bank's sterling funds.

After the conclusion of the meeting, Sir Geoffrey Wilson said that the Minister of Overseas Development was looking forward to an early opportunity of meeting Mr. McNamara.



D. H. F. Rickett
Vice President
September 23, 1970

OFFICE MEMORANDUM

TO: Files

DATE: May 3, 1971

FROM: William Clark

SUBJECT: Commonwealth Development Corporation

Host. Lord Howick. Mr. McNamara sat between Roger Swinnerton and Sir William Rendel. At the end of lunch Mr. McNamara asked the C.D.C. to comment on the Bank's operations. The main comment (with obvious goodwill) was that the Bank was over-centralised, all decisions went back to Washington; E. African office in particular did not seem to operate on its own, but referred back.

The C.D.C., it was explained, gave virtual autonomy to Regional Controllers, though accounts were checked quarterly even of the numerous companies set up by C.D.C. overseas. The Regional Controller has a staff (apart from technical assistants operating out of the office) of about 5 or 6 including an accountant, and one expert either Agriculture or Engineering. There is a monthly letter exchange between Regional Controllers and Managing Director (Rendel). Clear that Rendel really runs the show and has done for 20 years; he retires next year.

The question of C.D.C.'s future: how far it will expand financially, geographically, sectorally is in hands of Government which is uncertain about its aid policies. Howick expects increases because of pledge to 1% which must be filled in Private Sector.

WDCClark:sf

OFFICE MEMORANDUM

TO: Files

DATE: May 3, 1971

FROM: William Clark

SUBJECT: Mr. Rippon. Minister in Charge of Common Market
Negotiations

A short almost courtesy call at his request. Also present Chris. Tickell his P.A. (and quite a figure in Foreign Office). Points which emerged:

1. Rippon is very conscious of the problems of the L.D.C.s and thinks that the E.E.C. will treat them well in trade. Sees sugar agreements as accepted by all as form of aid.
2. Looks to associated status for Caribbean. It will be up to African states to decide their status, but he expects they will come in on same basis as French ex-colonies (Yaoundé Convention). French will continue to keep their ex-colonies to themselves. Future arrangements with India and Pakistan, are uncertain but Rippon not too worried that their manufactured goods will get good treatment.
3. He thinks an enlarged Europe would be more secure, more world conscious and more outward looking.
4. U.K. very anxious to get it all fixed up in next three months, partly because of great souring of opinion in U.K.

WDClark:sf

OFFICE MEMORANDUM

TO: Files

DATE: May 3, 1971

FROM: William Clark

SUBJECT: Conversation with Richard Wood, Minister Overseas Development and Sir Michael Walker, Douglas Williams, Robert Porter Mr. Baxter (i/c Pakistan)

IDA Replenishment.

We talked about this for 30 minutes and the upshot was that the Minister finally said "we will try to help all we can. The breakdown of IDA would be a disaster for us. But I hope you can help us by giving us reason to believe that the U.S. will pass the Bill this year, and that other countries besides us and Canada will put up advance contributions". (Note this was not made a condition).

The Minister began by saying that they were in an awkward Parliamentary situation about IDA but wondered what they could do to help. R.S.M. gave a detailed and confidential account of the present situation over aid and IDA between the Administration and Congress. "The upshot is that we run out of power to commit by July 1st. We either stop commitments or get advance commitments". R.S.M. went on to explain the role that U.K. had played in past and could again with Germany and Japan.

Mr. Wood said at once that he would try to help. Explained the intricacies of Parliamentary procedure which amounted to fact that the "order" to implement Third Replenishment, and the order to make an advance contribution could both be debated in Parliament. No doubt it would pass but there could be sniping (by Government party) at the American failure especially as last time the Labour Government more or less said this is a once for all emergency action.

Douglas Williams (who is the Civil Servant in charge of IDA) asked two questions:

Q. Can we quote the President's assurances?

A. Yes.

Q. Can we be sure of Dec. 31 passage? because after that disbursements might really be at the expense of U.K. vs. U.S.

A. R.S.M. told the Mundt story; added that disbursements of 3 IDA were much slower than six months after commitment. R.S.M. added that the need for U.K. leadership in Aid for the U.S. would persist for 2 or 3 more years to come, because of Vietnam, disillusion etc. He was grateful for the lead given by U.K. over the high figure for 3rd Replenishment.

Mr. Wood accepted with modest relish the leadership role and said he would try to help all he could.

OFFICE MEMORANDUM

TO: Files

DATE: May 3, 1971

FROM: William Clark

SUBJECT: Conversation with the Foreign Secretary
Sir Alec Douglas-Home

The Foreign Secretary walked Mr. McNamara across from Number 10 and received him for an hour alone in his office (with a Private Secretary and myself).

Sir Alec began by saying that he wanted to discuss the problems of Ceylon and Pakistan, which both seemed in deep trouble.

R.S.M. "They're both bankrupt anyway".

Sir Alec. The President of Pakistan undertook a very ambitious and dangerous experiment in trying to hold elections before there was a viable constitution. As he might have expected Bhutto of course did him dirt and started trouble rather than trying to settle with the East Wing. The only hope of a settlement now is if some East Pakistanis can come forward and accept or negotiate an agreement.

R.S.M. Doubtful if that is possible. In fairly short run Pakistanis are bound to be forced to default. Hence need for emergency relief via I.M.F. and Consortium. Great difficulty of helping a Government that has behaved as badly as Pakistan.

Ceylon

Clearly Ceylon was even more in Foreign Secretary's mind than Pakistan, though he agreed with R.S.M. that Ceylon was a country easier to help (because of size) than Pakistan.

Sir Alec doubted if Mrs Bandaranaike was in charge of the Government, it had probably slipped to the two or three real communists in the Government. If Felix B. who had moved from extreme left to nearer centre would help her she might retain power. No doubt that it was in U.K.'s and Bank's interest to help her, as alternatives were unpleasant.

Africa.

Sir Alec said that U.K. interest in Simonstown was quite considerable and that to keep it open to us we had to fulfil some part of our bargain (Botha insists) so we were doing the minimum legal requirement. The only country really causing trouble was Nigeria because it was a rival to Zambia for OAU leadership. If they got the leadership they would probably be easier on it. But now because of the Biafra trouble etc. Nigeria was determined to upset relations with U.K. Hoped that we could exert some influence on Nigeria; but he felt sure that main trouble was rivalry for OAU leadership.

Middle East

A diversion on the Middle East in which R.S.M. said he was only speaking as an individual outside his Bank role. The Foreign Secretary said that Arabs were probably at their most open to negotiation just now (and he had so informed Eban) and a half way house to peace was to get the Canal open again. Israel must have military guarantees to survive; would U.S. perhaps guarantee 1967 frontiers? R.S.M. said yes if U.K. would join in, and Foreign Secretary said U.K. would.

Gulf.

R.S.M. spoke of the importance of a British presence. Foreign Secretary nodded but said little except that he thought Bahrain would be independent and Shah accepted that.

R.S.M. said Bank was trying to do more for Arab world especially Iran. This made Third Replenishment necessary. Foreign Secretary "I'll watch that and see what we can do". R.S.M. Could U.K. help to move Germany? Foreign Secretary "I'll look into that and see what we can do through our Ambassador there".

WDClark:sf

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OFFICE MEMORANDUM

TO: Files

DATE: May 3, 1971

FROM: William Clark

SUBJECT: Conversation with Mr. Barber, Chancellor of Exchequer. Flanked by Alan Neale, Cyril Hodges and his Private Secretary. (Sir Dennis Allen was detained).

The four main topics:

1. Bank issue on London Market.
2. Debt rescheduling (especially Pakistan).
3. IDA replenishment.
4. Nationalisation and Compensation.

The Chancellor began by repeating what Mr. McNamara had been told in the morning, that the Bank could come to the London Market. This was one way in which H.M.G. hoped to raise their aid figures to 1% or near it. R.S.M. said that at present interest rates were a bit high, but our borrowing program would need all opportunities. He then showed an outline of our future borrowings which clearly impressed the Chancellor.

Chancellor said that he had just learnt that the Bank's unwillingness to reschedule its own debts was a problem since the official view in Whitehall was that Bank should participate. Could Mr. McNamara explain all this to him - which was all new to him.

R.S.M. put Bank's case for not rescheduling.

Chancellor. Would it really affect your credit?

R.S.M. Yes especially in New York which is very important source of private funds.

Chancellor. Is this a final unalterable view?

R.S.M. No, there are ways round. We will discuss it all again after the Debt study is finished. "My only interest is to ensure that the Bank can borrow freely in the private market". How do you protect the Bank from disasters such as Pakistan which is bound to default or be rescheduled? It was necessary to be outwardly very firm indeed to keep Bank credit high. (It was quite clear the Chancellor had no decided views on the topic, but his officials did).

IDA Replenishment.

The Chancellor wanted to reassure himself about (a) the real need for funds in IDA; (b) the exact state of American opinion and possible Congressional action.

R.S.M. replied with an account of our commitment/disbursement procedures and problems. He gave a fairly detailed account of the state of Congressional and public opinion, and of the mechanics of getting IDA through Congress. He stressed the need for leadership by U.K., Canada etc.

The Chancellor responded with a rather startlingly fervid statement that quite apart from politics and economics he felt a strong moral commitment to aid and therefore to IDA. He would talk to the Prime Minister and other colleagues and see what H.M.G. could do to help.

The Chancellor rather hesitantly raised the matter of what could the Bank do to pressure countries to give proper compensation for nationalisation. He recognised the sovereign right to nationalise, but it would make overseas investment much easier if the compensation for nationalisation were more assured and adequate.

R.S.M. explained our success stories with Mobutu in Congo, and Nasser in Egypt, and our less success with Peru and Algeria. The Chancellor was clearly reassured that the Bank was a force working in the right direction.

WDClark:sf

OFFICE MEMORANDUM

TO: Files

DATE: May 3, 1971

FROM: William Clark

SUBJECT: Commonwealth Development Corporation

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WDClark:sf

Equal opportunity among nations within nations & among nations is becoming a major social result of economic - leading & more. The strategies within nations & renewed attention to disparities between nations - led to message for open session; 4/20/80. C.I.E.C - to date little progress: lack of intellectual preparation & no agreement on magnitude of the 1980-81 package. Not clear but water for next session will be high + role of 15 RD + 12 RD with 1) Phases on the present negotiations; 2) (Food); + meeting

IDA V

Bel Report Helzenki proposed 6.75% for old contributors. This is: fails to provide an answer in real terms (requires 7.8%)

is the lowest suggested by any EEC member
fails to provide an adequate stimulus to OPEC
represents a lower level of support than planned at summit (1980-81)

Maintenance of Bel share (1.72) of say 7.5% would be paid over 11 yrs '78 5.4%; '79 7.0% '80 7.17%

In '80 would require total dis. to ISA of only +2% ODA or 9.42% for DAC - Belgians share of 1.72% present is 3.02 (in '75) or contrib of 1.72%

ISA program consistent with Bel's emphasis on product nations; agr; + benefiting the poorest segments of pop.

Belgium's Net Plan for 76-80 shows reductions of 7.72 - is not still the big

Evaluation of effect of inflation on prices (multiplier 1.5 for '81) + demand - 3.9% -

157D

As stressed at Jamaica that the entire financial community should act as an intermediary to facilitate the flow of private capital to the LDC's - exactly the role of the BK + the reason why in 78 IBRD commitments in real terms should not be allowed to decline

Strongly representative Parties
of the 7 Parties
meeting of 7/10/80
Call for 7/10/80 Dialogue



Belgium + UK 7/8 + 7/9/76
de la Haye Herby Dick King
Rome Deak
Parliament Deak

During next visit to US, 2 Dec AM will visit BK - seminars: 7/10
+ resources 0.6427 GNP in ODA altho de la Haye said would be .72 by '80 -

The Poorer Nations with a PDP of 1 Billion

2 last 10 yrs over income per stagnated (from 108 to 116 '72-74)

For next 10 yrs, unless their govts + the external world act decisively,

the outlook is bleak: per year growth of 1% or 2% per year

leaving them with:

An infant mortality rate 6 times ours

A risk of dying before age 8 8 " greater

A life expectancy $\frac{1}{3}$ lower

An adult literacy rate 50% less

A nutritional level for 1 out of 2 below minimal levels of for millions of infants so low as to prevent optimum development of the brain

Developing Nations

For next 10 yrs, even more rapidly (6.5% per year = 42% per decade) + outlook is bright if they receive the trade assistance + exp. support they need

There is a great potential for expansion of LDC efforts thru red. of DC

trade barriers - sig. ones they'd be eliminating gradually over next

decade, by '85 in 85 percent efforts could be 65% per year (58% for 41 countries)

MEMORANDUM FOR THE RECORD

SUBJECT: The United Kingdom

The Chancellor of the Exchequer, Mr. Anthony Barber, and the Governor of the Bank of England, Sir Leslie O'Brien, called on Mr. McNamara on Thursday, September 30, at 4:00 p.m. They were accompanied by Mr. Terence Higgins, Minister of State in the Treasury, Mr. Jeremy Morse, Bank of England, Mr. R.B.M. King, Overseas Development Administration, and Mr. Derek Mitchell. Mr. Aldewereld and Sir Denis Rickett were also present.

Mr. McNamara congratulated Mr. Barber warmly on his speech to the Governors. Mr. Barber, in turn, said how much he had been impressed by the analysis in Mr. McNamara's opening address.

Mr. McNamara said that the problems of agriculture and unemployment in the developing countries were extremely serious and effective action was likely to prove very difficult.

Mr. Barber said how much he had been impressed by the atmosphere at the recent meeting of Commonwealth Finance Ministers in Nassau. A number of minor points had been raised about the Bank's policies. He would be glad to send Mr. McNamara a note of them. The general attitude, however, was one of great praise for the Bank and its staff. Mr. McNamara said how much he appreciated the support of the United Kingdom as shown by their further advance contributions to IDA of \$53 million and by the permission given to the Bank to make an issue in the London market this summer. It was unfortunate that he could not say the same about the United States attitude. The United Kingdom could do much to help by setting an example and by exerting influence on the press and on other governments. The Germans and the Japanese had been reluctant to make an advance contribution but had undoubtedly been influenced by the example of the United Kingdom. He agreed with Mr. Barber that there had been much criticism of the cut in U.S. aid. An exception had, however, been made for Latin America and for IDA (and also for other negotiated multilateral arrangements). It might be found, therefore, that the cut was largely a bookkeeping operation prompted by considerations of domestic politics.

Mr. Barber said that the President's remarks at the White House reception for the Governors had been encouraging.

Mr. McNamara agreed but said that the real test would come over the legislation at present before Congress concerning funds for both the Asian Development Bank, the Inter-American Development Bank, the International Development Association, and the U.S. bilateral aid program. All of these were in jeopardy. Taking into account that bills were needed in both houses both for authorizations and appropriations, there were 16 bills which were now before Congress. The Administration faced a problem of tactics in persuading the chairmen of the appropriate committees to schedule action on these bills.

Mr. McNamara then referred to the problem of expropriation of private investment in developing countries and said that he was afraid that this was likely to cause much trouble. It was important that the developed countries

President has seen

should act together and not allow the developing countries to play them off one against the other.

Sir Leslie O'Brien strongly agreed and said that in the City of London people were very conscious of the need not to make fresh loans to those who had defaulted on past claims.

Mr. McNamara agreed and thought that this was a matter which might suitably be discussed between creditor governments, e.g. in the Development Assistance Committee of the O.E.C.D. At the Meeting of the International Centre for the Settlement of Investment Disputes he had emphasized the importance of including an arbitration clause in contracts with developing countries. Companies rarely made use of such clauses. Several national insurance schemes contained no reference to them.

In conclusion, in reply to a question from Mr. Barber, Mr. McNamara said that he hoped soon to be able to visit London again.

A handwritten signature in blue ink, appearing to read 'D.H.F. Rickett', with a stylized flourish at the end.

D. H. F. Rickett
October 4, 1971

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 5, 1971

FROM: William Clark *wc*

SUBJECT: Peter Jay Lunch

Peter has no great hang-ups about the Bank, and I think you can talk really freely about our work. He is not happy about the egregious Tony Thomas who has succeeded him, nor about The Times in general.

Peter is not really a very LDC conscious economist and I think the line to push is that Aid is prudent (he accepts that it is moral, but just does not concern himself too much with it). Stress the need for continuous flows if we are to avoid debt crises. Also stress strongly trade section of your speech.

Other topics: Peter was at the Commonwealth Finance Ministers' meeting in Nassau and probably has got some views on the mood there.

He is an anti-Common Market man (his father, Douglas Jay, and father-in-law, Jim Callaghan, are the anti-market leaders who have kidnapped Harold Wilson, and are working against Ray Jenkins).

What is happening at this week's Labour Party Conference?
ROY?

P.S. His wife Margaret Callaghan Jay had a son two weeks ago.

WDC:mmh

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1/22/72 - Tony Barber

Ch. editor (Terry Higgins & Douglas Allen)

1. Status of 3rd Lefter. I need to urge prompt passage by US - effect on Pak, etc

2. Taiwan

3. PK participation in libt needed

4. 74-78 programs

5. Pak-India-Bangla

a. Pak in its own interests, to facilitate normalization

b. Bangla to apply for 1974-78 PK mem.

c. India with UK help, to normalize rels with US

6. Pak Consortium

a. Short-term libt needed

b. Agreement re req. for resumption of aid (a. plus 4. inf. + some prog.)

Prepared to do quite a lot - but no plan - highly desirable to Stan pl & libt
don't push E Pak at off. I want - attach great support to work - on
I've formed definite views as to how to handle -

11-20/72

I am in del. pos but wish to talk frankly

Alec - Hamid (essentially same parents to Ted Heath) can't move politically (convert Econ, etc) or economically (tax reform, etc reform, etc) unless he says actions confined to the Pak - same problems for 1976

Foreign Secretary

1. Pak - India - Bangla: How would they wish Bk to operate
 - a. Pak + Bangla bankrupt
 - b. Pak consent in only 2/3⁺ - debt relief + approach to present of aid
 - c. Pak, in its own interests, should facilitate ^{work on econ not prof. links} normalization of rels with Bangla
 - d. Bangla to apply for IMF - Bk view - what is their view
 - e. India, with UK help, to move toward normal. of rels with US ^{US/India to lower voices}

2. UK: Plan for recog. of Bangla - relation to Indian treaty with forecast of other recog. plan for aid to Bangla need for non-food relief (seed, fert, trans) under guise of relief

3. Taiwan

avoidance of dis in Bk until govt's prepared to face issue what as UK's pos. re: a) cont'd mem. b) new com. c) cont'd desbar

4. 3rd Replenishment

status need for UK intervention with US relation to aid to Pak + India

5. IBRD participation in debt resched.

Recog: next wk or wk after, not be enough countries to recog 1970 reaction from ^{will} ~~Shuttle~~ - ask Shuck for status re friendly rels with ~~1974~~ Yes - Bangla apply to fund + Bk Wants our analysis, views of the 3 countries wants our thoughts re Ayub -

India - Hamid (essentially same
fronts to Fed) can't move politically (course lesson, etc)
or economically (tax reform, etc reform, etc)
unless he says actions confined to 14 Feb -
same problems for 1956

5. Foreign Secretary

1. Pak - India - Bangla: How would they wish Pak to operate
 - a. Pak & Bangla bankruptcy
 - b. Pak consent in only 2/3⁺ - debt relief + approach to recovery of aid
 - c. Pak, in its own interests, should facilitate normalisation of rels with ^{work on econ not pol. link} India
 - d. Bangla to apply for IMF - Pak order - ^{what is their view} US/India to lower prices
 - e. India, with UK help, to move toward normal. - rels with US

4. UK: Plan for recog. of Bangla - relation to Indian treaty with
 forecast of other recog. of
 plan for aid to Bangla
 need for non-food relief (seed, fert. trans) under present ^{humanitarian} relief

3. Taiwan

avoidance of dis in Pak until govt's prepared to face issue
 But as UK's pos. re: a) could remain b) new com c) could describe

4. 3rd Replenishment

status
 need for UK intervention with US
 relation to aid to Pak & India

5. IBRD participation in debt resched.

Recog: next wk or wk after, not enough countries to recog in 70
 reaction from ^{will} Pak - ask check for status re financial rels with US
 Yes - Bangla apply to Fund & IMF
 Want our analysis, policy of the 3 countries
 wants our thoughts re system -

39

40



BY APPOINTMENT
TO HER MAJESTY THE QUEEN
SUGAR REFINERS.

TATE & LYLE, LIMITED

TELEPHONE:
01-626 6525

REGISTERED OFFICE:
21 MINCING LANE
LONDON EC3R 7QY

TELEGRAMS:
TATELYLE, LONDON, E.C.3.
TELEX 884084

Friday 5 30 PM

JACH/PF

16th August, 1972

Mr. R. McNamara,
International Bank for Reconstruction and
Development,
1818 H Street, N. W.,
Washington D. C. 20433,
U. S. A.

Dear Mr McNamara,

William Clark tells me that you may very kindly be able to spare me a short while on September 8th when I am in Washington.

I am sure you have far too much to read, but I thought it might save time on the 8th if I were to send you through in advance a brief resumé on the Industry Cooperative Programme, and I attach it hereto.

I shall telephone Mr. Ljungh when I get to The States.

Yours sincerely,

Tony Hugill

RECEIVED

J. A. C. Hugill
Chairman,
Industry Cooperative Programme.

enc.

230 PM



BY APPOINTMENT
TO HER MAJESTY THE QUEEN
SUGAR REFINERS

TATE & LYLE LIMITED

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TATELYLE, LONDON, E.C. 3.
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attach it hereto.

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J.A.C. Huggill
COMMUNICATIONS SECTION
1972 AUG 21 AM 9:37

RECEIVED

J. A. C. Huggill
Chairman,

Industry Cooperative Programme.

enc.

Industry Cooperative Programme

This Programme was founded in 1965 under the initiative of Dr. Sen, and its ninety members are of two kinds: those who invest in the production of food, forestry, fisheries etc., and those who make the equipment and other inputs which are needed for this. Some do both. The total turnover of members is of the order of \$100 Billion a year.

Over the years our activities have included the setting up of a number of individual projects (and more recently certain consortium projects) with help from F. A. O. and other U. N. Agencies. We have active working groups which run seminars and studies on the safe and economic use of pesticides, on the use of agricultural by-products, on the use of plastics in agriculture, on training in the use of agricultural equipment, and a number of other practical subjects. More recently, we have begun to send three or four "high level" missions a year, manned by members at the request of individual governments to assist them in formulating long-term plans.

However, we regard our basic mission as utilising the resources of members to help feed, clothe and house people in the less developed countries. For people in the lower ranges of the economic scale in such countries it is an impossible task as matters stand.

As companies we cannot afford, even if we take a long-term view, to be completely charitable because we have to work within the constraint of keeping the wolf from the door for our stockholders. Moreover, some of these countries are high-risk areas from a political point of view, and it is therefore hard to justify more than a very modest capital investment on our part. Furthermore, most of the people we are trying to help are not even in the money economy, and this makes the earning of profits extremely difficult.

The only true solution, therefore, seems to be that public money of one kind or another should be made available to help provide nutrition etc. for these millions, and it follows, therefore, that we

as a Programme must try and go in with the U.N. Agencies as financial partners. Some of us indeed have already done so in some of the projects I mention above.

This is not a case of us asking for help. We can "do our own thing" and grow in doing so, but if we are to be really useful we need somehow to be involved where public funds are committed. We realise that safeguards would be needed and that there are political problems in this.

Just recently the Programme has been examining two possibilities. Firstly, that of attacking a particular shortage on a narrow front and a multi-industry basis. We have a group examining what can be done on protein-enriched foods, and hope to get our ideas straight in the next few months on what we can do. We are in touch with the P. A. G. on this. My own firm is looking into the problem of sugar production in the developing world in the same way. Secondly, we are examining the idea of attacking the problem on a narrower geographical front where the U.N. Agencies, and notably the World Bank, are already committed, and of offering multi-industry involvement.

There is no single simple solution, but we are keen to help where we can.

J. A. C. Hugill,
Chairman.

JACH/PF
16. 8. 72.

41

MEMORANDUM FOR THE RECORD

Subject: Discussions with Part I Members - United Kingdom

The Chancellor of the Exchequer, Mr. Anthony Barber, and Sir Leslie O'Brien, Governor of the Bank of England, called on Mr. McNamara on Friday, September 29th, at 9 a.m. The Chancellor had with him Mr. Derek Mitchell, U.K. Executive Director of the World Bank, and Mr. R.B.M. King, Deputy Secretary, Overseas Development Administration. Mr. Knapp and I were also present.

Mr. McNamara began by congratulating Mr. Barber warmly on his speech to the Governors. This and the speech which he had made last year had set the tone for much of the subsequent discussion on international monetary reform. Substantial progress had been made this week and this was in large part due to Mr. Barber's contribution. The Chancellor thanked Mr. McNamara. He too felt that progress had been made. There had been criticism in certain quarters of one passage of his speech but the subject was not one which could be altogether ignored.

Mr. McNamara said that many other Governors had said even more.

The Chancellor said that what was important now was to resolve our differences and not allow other countries to try and put the United States Administration in a humiliating position.

Mr. McNamara then asked about the recent conference of Commonwealth Finance Ministers. The Chancellor said that most of the meeting had been occupied by discussion of international monetary reform. Nothing had been said of any great importance either about the World Bank Group or about development assistance in general.

Mr. McNamara raised the question of expropriation and the speech made on the previous day by the Chilean Governor. He felt that we should take a fresh look at the Bank's policy on these cases and he would be glad of the advice of the U.K. Government. Policies at present followed almost certainly had no deterrent effect on countries which expropriated foreign enterprises. If the Bank was expected in such cases to refrain from lending, and to follow a policy far more rigid and restrictive than that of any other government or institution, this could only have the effect of exposing the Bank to criticism.

The Chancellor said that the British Government would be glad to give any help they could. He himself had had some discussion in Bermuda on this subject with Mr. Connally. He felt that all major countries should try and act together, perhaps on general guidelines laid down by Mr. McNamara.

Sir Leslie O'Brien said that it was important to realize that if certain governments expropriated foreign enterprises without adequate compensation, this could only have the effect of drying up the flow of private capital.

Mr. McNamara said that experience, e.g. in the Congo, showed that this was not always the case. He also referred to his recent discussions with representatives of APPI. He had been struck by the insistence of the Swedish representative that commercial banks must be free to lend to countries which expropriated

President has seen

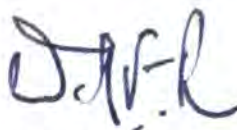
foreign enterprises whenever they thought it in their interest to do so. Mr. Knapp said that there had been cases where, in spite of acts of expropriation, British private capital had moved in on a massive scale.

The Chancellor said that he did not see how this could be stopped. Mr. McNamara agreed that it was not a question of stopping the inflow but of not adopting too restrictive a policy in regard to Bank lending. He was, for example, being pressed by the French Government not to make any further loans to Algeria. He would like to discuss the whole subject further with Mr. Mitchell.

Mr. McNamara then raised the question of the Fourth Replenishment of IDA. Now that the Third Replenishment had become effective, he would ask governments to appoint deputies whose first meeting might be held in Europe towards the end of the year. We should be glad to have, through Mr. Mitchell, the advice of the U.K. Government on the issues which would arise in the negotiation. He read to Mr. Barber the passage in his concluding remarks dealing with this subject. The Chancellor expressed his agreement with what Mr. McNamara proposed to say.

A discussion followed on the U.K. share in contributions to IDA. Mr. Barber thought that this was too high. No doubt the United States would also ask for a reduction in their share. He had some sympathy with their difficulties. They had not the same control over Congress that the United Kingdom Government had over Parliament. The Chancellor then raised the question of the allocation of IDA funds to India.

Mr. McNamara said that though India was not included in the 25 poorest countries mentioned in the strategy for the Second Development Decade, this was true also of Pakistan, Bangladesh, and Indonesia. The World Bank, however, made provision for a further category of countries with an average annual income per head of \$100 or less. He would like to do more for such countries but there were limits to the IDA funds available. He hoped to continue in FY 1973 and 1974 an allocation to India of \$400 million. If we got a substantial increase in the Fourth Replenishment, he would like to keep the Indian allocation at 40% which would result in a rise in the absolute level of IDA funds going to India. At present they were getting on the average only 80 cents per head of the population. Their position was likely to become increasingly difficult because of the change in United States policy. The United States and the World Bank were almost the only aid donors with a positive net transfer to India. In the case of the U.S., the net transfer was declining rapidly having fallen from \$700 or \$800 million to \$400 million. This posed a very serious problem. The staff of the World Bank Group would have to make special efforts to help the Indian Government to bring forward an adequate number of projects. The Chancellor agreed and mentioned also the importance of population control.



D. H. F. Rickett
Vice President
September 29, 1972

42

From Mr. McNamara's pencilled notes, 2/18/73: "Mention to PM Heath"

I. I strongly agree with his TV remarks:

Sovs will take political, economic, or military advantage of weakness; can only negotiate with them from a position of strength.

Their obsession with China will not remove danger of weakness to the West.

Therefore, NATO must remain strong.

But US political pressures will require BOP support of US European forces and token reduction.

The danger of a large US reduction is a problem: political (Sovs may misread US intentions), and military.

President erred in moving to Phase III - higher prices will increase pressure for action on trade, troops, and economic issues.

II. One of major achievements of second half of 20th century is UK entry into Common Market; imperative Europe now organize to move with one voice (re monetary issues, expropriation, debt rescheduling, energy) - UK can lead where FRG can't.

III. Energy

West needs to organize to strengthen its bargaining position [in face of danger of higher prices (by OPEC concerted action to obtain monopoly price; and of producer nations limitation of production) and use of oil boycotts for political purposes.]

And to develop tactics (increase its stocks for two months to six months; agreement to protect "struck" parties; develop alternate supplies in US, etc.,) to strengthen its unified hand; mention work by Kissinger; FF; David Freeman - avoid (examining?) bilateral relationships.

IV. Huge surplus funds for investment (and development).

V. LDC's facing two problems

A. Those who borrow (Ghana, etc.) facing debt crises (and hence political problems) running risk of pushing own (commercial?) interest at cost of own political interest.

B. Those dependent on concessionary aid (India, etc.) receiving only 1/2 of aid that was planned

And, therefore, unacceptably low growth rates.

VI. Importance of Fourth Replenishment of IDA

Three important issues for the UK: level; shares; allocations(?).

The great danger of US weakness is lack of leadership (and domination by France) with result of undesirably low level with danger to LDC's and indirectly to DC's.

Opportunity for Britain with its Euro-partners to lead.

4.8.73

Mention to P M Heath

I I strongly agree with his TV remarks:

Soak will take pol, econ, or mil adv of weaknesses
 Can only negotiate with them from a position of strength -
 their discussion with them will not remove danger of weakness
 to the West

∴ NATO must remain strong

But US pol. pressures will require BOP support of 45 Euro funds
 + token reduction

The danger of a large US red. is spec, pol (Euro away increased
 US intentions) + mil.

Pressure in next Phase III - higher prices will have pressure
 for action on trade, tempo, + econ issues

II One of major achievements of 1st 2nd 3rd 4th cent. ∴ UK entry into Mkt -
 important Europe now organ to move with (social, monetary
 issues, effort, debt resolved, energy) - UK can lead where
 FR & cent +

III Energy

West needs to organize to strengthen its bargaining position (in
 face) danger of higher prices (by OPEC concerted action to obtain
 monopoly price; + of producer nations limitation of production) +
 use of oil boycotts for pol. purposes] agreement to protect "struck" +
 And to develop tactics (increase its stocks for 2 years to 6 mos; develop
 alternate supplies in US etc) to strengthen its oil field hand.
 main work by Kasser; FR, David Egelman - avoid Yamene bid
 IV Huge surplus funds for investment (+ development). relationships

V LDC's facing & problems

- A. Those who borrow (Ghana, etc) facing debt crises (thence lost prod) remaining risk of pushing our comment. at cost of our interest.
- B. Those dependent on concessional aid (India, etc) receiving only $\frac{1}{2}$ of aid that was planned
and \therefore unacceptably low growth rates

VI \therefore importance of 4th R of IDA

There are 3 important issues for the 4th R

Levels

Shares

Alas:

The great danger of US weakness is lack of leadership (+ domination by France) with result of unacceptably low level with danger to LDC's + ultimately to DC's

Opportunity for Britain with its Euro-partners to lead

March 1973

Points of Discussion with Heath, Barber, Brandt, Schmidt, Eppler, Sharp

I. LDCs facing serious financial problems

A. The debt problem:

A number of LDCs being forced to rely too much on export credit on relatively hard terms in order to achieve a reasonable rate of growth (e.g., 6%).

Publicly guaranteed debt of LDCs now approximately \$80b and debt service (7% p.a.) rising twice as fast as export earnings: obviously can't continue.

B. Concessionary aid (ODA) is inadequate to support reasonable level of growth; was generally agreed ODA approximately .7% of _____.
Deficit: affects poorest countries the most (particularly India, Pakistan and stimulates further borrowing which aggravates the debt problem.

II. Therefore, the need for an increase in funds available to IDA through 4th Replenishment is great.

III. The inability of the U.S. government to play a constructive role in formulating a plan for the Replenishment increases the risk of final action contrary to the interests both of the LDCs and the DCs (particularly the U.K. with its interest in sub-_____.

IV. There are three issues raised by the Replenishment: total amount; donor shares; allocation to LDCs.

If UK would support a move toward the level justified by the needs of the LDCs (say \$1500m) I believe a) it would be joined by FRG, Japan, Norway and Denmark; b) it would increase the probability of acceptable action on donor shares and allocation.

I am quite prepared to agree that if the U.S. share is cut, the UK's must be reduced; a larger Replenishment increases the justification for a reduction in UK share.*

I am opposed to a reduction in India's share in 4th Replenishment, but pressure for such a reduction will be great; we should be thinking of a formula: consider 40% of level of 3rd Replenishment plus a lesser % on the increment of the 4th.

V. Re aid to Indochina

Bank willing (and prepared to play whatever role its members desire)

Attitude of others:

US unclear, prior to Kissinger trip, what its approach would be -

DRV unfamiliar with aid and donors' requirements for supervision.

Japan does not want to take a leading role

ADB states it is understaffed and not prepared for a leading role.

UN: initial overtures rebuffed; now some indication DRV would consider a limited presence; UN would wish to limit its role to relief and avoid reconstruction and development.

* The ultimate decision on their share is not likely to be influenced by the action they take now on total.

There is a limit to the amount the DRV (and Indochina) need and can absorb; donors should avoid overstating it.

VI. Bank participation in debt rescheduling.

Would reduce Bank's ability to borrow, affecting both cost and amount - unlike holders of government bonds, or bonds of government agencies (e.g., U.S. Ex-Im) holders of IBRD bonds are not protected by full faith and credit of the Part I governments.

Underwriters (and rating services) strongly share this view.

If Bank participates in one rescheduling, difficult to avoid participation in all and the total impact on Bank earnings and borrowing requirements would be great.

March '73

Points of Discussion with Heath, Barber, Brundt, Schmidt, Popper, Sharp

I. C's facing serious financial problems

A. The debt problem:

A number of LDC's being forced to rely too much on effort credit on relatively hard terms in order to achieve a reasonable rate of growth (e.g. 6.25) - Publicly guaranteed debt now approx. 80% + debt service (73%) rising twice as fast as effort earnings. Obviously not sustainable

B. Concessional aid (ODA) is inadequate to support des. level of growth. We are all agreed ODA approx. 1.7% of GDP is needed. Concessionality defect: affects poorest countries the most (particularly Latin Am & Africa) + stimulates further borrowing which aggravates the debt prob.

II: the need for an increase in funds available to IDA thru 4th R is great

III The inability of the US govt to play a constructive role in formulating a plan for the Replen. increases the risk of final action contrary to the interests of both the LDC's + the DC's (particularly the UK interests in sub-6)

IV There are 3 results raised by the Replen: total amt, donor shs, alloc to LDC's. If UK would support a move toward the level justified by the needs of the LDC's (say 1500m) I believe: a) it would be joined by FRG, Japan, Norway + Den; b) it would increase the probability of acceptable action on donor shs + alloc.

I am quite prepared to agree that if the US sh is cut, the UK's must be reduced + larger Replen. increases the justification for a red in UK sh. I am opposed to a red in UK's sh in 4th R but essential for such a red. will be great; we should be thinking of a formula: consider 40% of total of 3rd R plus a lesser % on the increment of the 4th

* The ultimate decision on their sh is most likely to be influenced by the action of the UK

V Re aid to Subochina

FRK willing to (+ prepared to play whatever role its members desire)

Attitude of others:

US unclear, even to Kissinger stop, what its approach would be -

DRV unprepared with aid & donor's eyes for a provision

Japan does not want to take a leading role

ADB states it is under-stuffed & not prepared for a leading role

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consider a 10th presence; UN would wish to limit its role to

relief & avoid recon. & dev't.

There is a limit to the extent the DRV (& Subochina) need & a donor-lenders should avoid overstating it.

VI FRK participation in debt resched

Would reduce FRK's ability to borrow, affecting both cost & amount -

unlike holders of govt bonds, or bonds of govt agencies (e.g. 45

54-56) holders of IBRD bonds are not protected by full faith

& credit of the Part I govt.

Underwriters (& rating services) strongly share this view.

If FRK participates in resched, diff. to avoid participation in all of the other

impact on FRK earnings & borrowing reqs would be great.

IBRD Debt Service FY72

Int. (\$ million)

| | Int. | Amort. |
|-----------|------|--------|
| Tuyen | 14.6 | 6.5 |
| Uchi | 5.5 | 6.0 |
| UAR | 1.2 | 5.5 |
| Thames | 4.6 | 1.7 |
| Zaria | 28.2 | 54.1 |
| Pak | 21.3 | 25.4 |
| Plan | 7.5 | 6.3 |
| Sri Lanka | 1.8 | 2.0 |
| TOTAL | 84.7 | 105.5 |

Uchi 5.5 6.0

UAR 1.2 5.5

Thames 4.6 1.7

Zaria 28.2 54.1

Pak 21.3 25.4

Plan 7.5 6.3

Sri Lanka 1.8 2.0

TOTAL 84.7 105.5

Similar to
problems in
Jus

March 1, 1973

UNITED KINGDOM - Discussions with Part I Countries. Record of Meeting between Mr. McNamara and the Chancellor of the Exchequer, February 19, 1973

Mr. McNamara had a meeting at the Treasury with the Rt. Hon. Anthony Barber, M.P., Chancellor of the Exchequer, on Monday, February 19, at 4:45 p.m. The Chancellor had with him Sir Douglas Allen, Mr. Derek Mitchell, Mr. Anthony Rawlinson, and Mr. Alan Bailey. I accompanied Mr. McNamara.

The Chancellor began with a reference to the debt problems of Ghana and to the question of expropriation. On the latter question Mr. McNamara said that he could only urge that the EEC, the United States, and Japan should try to reach a unified position. At present they were incurring a serious cost from their lack of unity. The same was true of their relations with the oil-producing states which involved not only a financial cost but also serious political and economic penalties. The Bank too was involved in the question of expropriation and sometimes found itself caught between two fires, e.g. over Chile.

The Chancellor asked what arrangements there were for securing such a unified approach. Mr. McNamara said that the Bank would not be a suitable forum. The OECD, on the other hand, could take up both the question of expropriation and the question of oil prices and revenues. It was estimated that the revenues of the oil-producing states would rise from \$7 billion in 1970 to \$35 billion in 1975 and \$55 billion in 1985. What use would they make of these vast revenues? Part, no doubt, would be spent on their own needs, part would be used for the development of the Arab countries, and part might be made available to the World Bank through investment in Bank bonds. He had, for example, just signed a loan agreement with Kuwait whereby they would lend to the Bank KD 25 million (equivalent to \$75 million in pre-devaluation dollars). The Bank had also just raised a five-year loan of \$24 million in the Lebanon. Mr. McNamara added that on the question of expropriation he had much sympathy with the Chancellor's point of view. There was, however, a limit to what the Bank could do about it. The Chancellor suggested that this question might be further discussed with Bank officials by Mrs. Boothroyd in the course of her coming visit to Washington.

Mr. McNamara then turned to the question of the replenishment of IDA. There were strong arguments for a substantial increase in IDA's resources. One such argument was to be found in the debt difficulties of the developing nations. Publicly guaranteed debt outstanding amounted at the present time to \$80 billion. Debt service payments were running at an average of \$7 billion a year and were increasing twice as fast as the export earnings of the developing countries. This was clearly a situation which could not continue. The developing countries, particularly the poorest of them, were being forced to contract far too much short- and medium-term debt to enable them to achieve a tolerable level of growth. They needed more capital on concessionary terms. The strategy for the Second Development Decade had assumed that Official Development Assistance would reach a level of 0.7% of GNP by the middle of the decade. It was quite clear that this would not happen. The present average for the DAC countries was 0.35%. This deficiency was felt most severely by the poorest countries--India, Pakistan, Bangladesh, Indonesia. It was all the more essential that there should be a large increase in the resources of IDA.

President 1135

March 1, 1973

The Fourth Replenishment negotiations were, however, faced with serious difficulties of which the most important was the inability of the United States for political reasons to play its proper role. At the meeting of IDA Deputies on March 13 in London the US attitude might be at best non-committal and at worst openly negative. It was all the more important to find something to counterbalance this. Mr. McNamara hoped that the United Kingdom would feel able to give strong support to a Fourth Replenishment at the level of \$1500 million (pre-devaluation dollars). He fully understood that the UK attitude on the amount of the replenishment was linked to the question of the UK share and perhaps also to that of the allocation of IDA resources between recipients. He was prepared to say now that if the United States share were reduced, the United Kingdom share must be reduced also. He could not express this in terms of figures. We had to see which countries would be prepared to increase their share in such a way as to match decreases in the shares of others. He did not feel, however, that UK support for a total of \$1500 million would be in any way inconsistent with a claim for a reduction in the UK share. On the contrary, if agreement were reached on a replenishment at that level, the UK claim would be strengthened.

On the allocation of IDA resources, Mr. McNamara said that there would be pressure for a reduction in the Indian share. There was no justification for this in economic terms. If anything, India needed an increase. Bilateral aid to India had been much reduced. As a result of the drought in the last two years, grain stocks had fallen from 10 million to 2 million tons and foreign exchange reserves had been depleted by grain purchases abroad. India needed a much higher net transfer of aid on concessionary terms and had the absorptive capacity to use it. The pressure to reduce their share of IDA resources was political. It would come mainly from the United States. Japan, too, might support it because of their interest in other regions and particularly in the need for aid for relief and reconstruction in Indochina. The problem, therefore, was how to minimize the damage. One possible formula would be to make no present change in the Indian share of 40% as applied to the \$800 million of country contributions made available in the Third Replenishment. It might be agreed, however, that there should be a reduction in whatever increment could be negotiated in the level of the Fourth Replenishment above that of the Third. He realized that a reduction in the increment would have the same effect as a reduction in the total. From the US point of view, however, this might be the best form of presentation since in percentage terms the marginal reduction would be higher than the average reduction. An allocation to India, for example, of 35% of the increment might in fact imply only a small reduction in India's total share. He was not asking for agreement on such a formula here and now. He hoped that the British Government would give us the benefit of their advice on the best tactics to pursue.

The Chancellor said that the British Government also wished to keep to a minimum any reduction in the Indian share of IDA resources. As regards the replenishment negotiations, he was interested in Mr. McNamara's contention that there would be nothing inconsistent in the British Government supporting a high level for the total while, at the same time, asking for a reduction in its own share.

Mr. McNamara said that he had no hesitation about this. He would be visiting Tokyo in April and would certainly ask the Japanese Government to make

March 1, 1973

a substantial increase in their share. He was not sure that it would be wise to press the Germans too much at this stage for an increase in their share. The main objective must be to mobilize positive support for the figure of \$1500 million from as many countries as possible at the March 13th meeting. He hoped that this would help to put the US Administration in a more constructive frame of mind.

The Chancellor said that he understood this approach but had not yet been able to discuss questions of tactics with his advisers either on the question of the UK share in contributions or on the Indian share in IDA resources.

Mr. Mitchell asked whether the Canadians might be persuaded to give a lead at the Bank meeting. Mr. McNamara doubted whether they would do this though he thought they would support such a position if a lead came from some other government.

Sir Douglas Allen asked whether the United States Administration would feel resentment if the UK proposed a high figure.

Mr. McNamara replied that he was not expecting any one government to act in isolation and thus expose itself too much. If a group of countries acted together, the United States Administration would probably protest at first. Later, however, after the Tokyo meeting, he hoped that he might be able to work out some formula with the US Administration.

The Chancellor said that he understood the difficulties of the US Administration with Congress. The UK also had its Parliamentary difficulties but these were not so serious. Their main difficulties lay in their economic position. If in spite of these the UK supported a high figure, this should have considerable influence with others. What were the reasons for the US attitude on the allocation of IDA resources to India?

Mr. McNamara said that they were purely political. Our object should be to limit the damage as far as possible by some such formula as that which he had suggested. He had managed to persuade the US Administration not to press for any reduction in the Indian share in FY73 on the understanding that the question would not be prejudged for FY74.

In conclusion, the Chancellor thanked Mr. McNamara for his statement which would be carefully considered by the British Government.

cc: Mr. McNamara's Office (2)
Mr. William Clark
Mr. John Adler

D. H. F. Rickett
Vice President

Note: Before the meeting at the Treasury, Mr. McNamara had had a discussion at the Overseas Development Administration with the Minister for Development, The Rt. Hon. Richard Wood, M.P. Mr. Wood had with him Mr. R.B.M. King and a number of other officials. Mr. Clark and I accompanied Mr. McNamara.

The discussion followed very similar lines to those of the discussion at the Treasury recorded above.

14th February, 1973

Mr. McNamara's Discussions with UK Ministers

I had some talks yesterday at the ODA in the morning and at the Treasury in the afternoon, the principal object of which was to inquire what were the main points of interest to the three UK Ministers whom Mr. McNamara will be seeing during his visit. I said that we had already had some preliminary information on this subject from Mr. Rawlinson in Washington.

Discussion with the Prime Minister

The ODA officials confirmed that the Prime Minister had, for some time past, been interested in the question of the indebtedness of the developing countries. His interest in the matter had originated in the Ghana debt crisis which had contributed to the fall from power of Dr. Busia. The Prime Minister had very much regretted this since he had considerable regard for Dr. Busia. He had instructed the Departments to submit to him a study of the debt problem and suggest how it could be alleviated. He had felt that there were a number of developing countries who were being forced to rely too much on export credit on relatively hard terms to enable them to achieve a tolerable rate of growth of say 5 or 6%. He had felt that developing countries needed either more equity capital or more soft aid or both.

The result of the study submitted by the Departments had been a British initiative at the Summit Meeting of Community Heads of Governments proposing that all interest payments on past loans to developing countries should be waived. This proposal had had no success at all at the Summit Meeting, being particularly strongly opposed by the French. The British had, therefore, been somewhat

surprised when not long afterwards President Pompidou made large concessions of a similar kind to the francophone countries in West Africa, which he announced in the course of a state visit there. The French Ministry of Finance were surprised also and did not welcome this initiative.

The ODA officials suggested that Mr. McNamara might wish to draw the moral in his talk with the Prime Minister that the most important need for the developing countries with persistent debt difficulties would be a substantial increase in aid on concessional terms. The UK Government has placed considerable weight in its aid policy on the stimulation of private investment. They have accepted, and have more than achieved, the 1% target for the total flow of funds. They have not accepted the 0.7% target for official development assistance though ODA performance at .41% in 1971 was above the average of the DAC countries. The UK Government has taken steps to stimulate private investment by instituting both a scheme of investment guarantees and a scheme under which the Government bears the cost of feasibility studies for direct investment projects where these do not, in the event, lead to investment.

It might be possible to make the point that private investment flows, valuable as they often are (both as a source of capital and of technical and managerial skills) - do not do much to help the poorest countries. Indeed, if the profits remitted across the exchange exceed foreign exchange earnings, private investment may be an additional burden on the balance of payments. Even in the richer countries it may often take the form of enclave projects which are only profitable because of tariff protection.

handwritten notes:
 least was a
 danger to
 our
 common interest
 £120 but what
 we needed
 our production
 interest

handwritten notes:
 India, Pak
 Bangla-

Without, therefore, wishing to disparage unduly the value of private investment we might make the point that the most urgent need of the poorest developing countries is a larger flow of aid on concessional terms. The average performance of the DAC countries at .35% of GNP is still at only half the level recommended in the strategy for the second development decade and even with urgent action by governments it seems unlikely to improve as much as would be desirable in the second half of the decade. On present plans the UK performance will reach .49% of GNP in 1976. It could be added that strong UK support for a high level of IDA replenishment would be valuable because of its effect in tending to improve the aid performance of all the Part I countries.

Discussion with the Minister for Overseas Development

The ODA officials did not think that Mr. Wood would wish to spend much of the time available in discussing either the policy on expropriation or on the rescheduling of debt. Nor did they think that there would be a great deal to be said about his visits to Kenya, Zambia and Mauritius. The main purpose of his visit, according to them, had been to attend a youth conference in Zambia. They assumed that the difficulties over North Kariba would probably lead to the making of a further loan by the World Bank for which the UK Government would be asked to provide a further guarantee, and that fresh tenders would be called for under international competitive bidding. As for Mauritius, it had at present more money than it could spend. New talks with Kenya were about to begin on the making of a new aid commitment by the UK.

Mitchell

The ODA officials thought that Mr. Wood would be most interested in the question of the Fourth Replenishment of IDA which Mr. McNamara had said he would like to raise. The question of reconstruction in Indo-China and the allocation of IDA funds to India would of course be relevant to this. They asked me if I thought that these questions would come up at the London Meeting of Deputies. I said that I thought not, but there would be discussions in the background with interested governments.

As regards the Fourth Replenishment, the British position appears to be still somewhat in suspense. It would, therefore, be most valuable if Mr. McNamara would speak both to the Minister and to the Chancellor along the lines of my memorandum of 7th February, i.e. they should be pressed to support a high figure for the Replenishment, adding if they wish that this is subject to their being satisfied with the outcome of discussions on burden sharing.

*of 15 share
reduced their share
to a real one
UK share*

I had the impression that they and the Germans would probably support a figure of \$1500 million (Smithsonian dollars) if their share would in each case be not more than 10% (i.e. a 3% reduction for the British and no increase for the Germans). UK Ministers were apparently much incensed by the US attitude over contributions to the United Nations and will, therefore, press for a reduction in the UK share in IDA. Mr. McNamara might make the point that the higher the total the better the British case for a reduction will be, though what can be achieved in the end will depend on finding a balance between claims for reductions and willingness to accept increases. The German representative at the UN discussions appears

These LDC's are facing problems
 those who borrow (Ghana, etc) from debt crisis (where 1/2 of price)
 those dependent on commodity and (Duba, etc) receiving only 1/2
 of what was planned - i.e. unaccept. low rates of growth

to have told his British counterpart that Germany would support \$1500 million for IDA with an unchanged German share (10%); that if the total agreed were lower than this, e.g. \$1350 million the Germans would maintain their offer of \$150 million with the result that the German share would increase to slightly over 11%. If the total were still lower, e.g. \$1200 million, to maintain their offer of \$150 million would result in a German share of 12 1/2%. They would probably feel that this was too high and would reduce somewhat their figure of \$150 million.

The ODA officials did not think that Mr. Wood would wish to spend much of the time in talking about debt problems though he is known to be exercised about the question of the Pakistan, Bangladesh debt situation (where it seemed that a programme loan might be needed from the Bank), and also about the persistent difficulties of Ceylon.

Discussion with the Chancellor of the Exchequer

The Treasury officials were somewhat puzzled by the suggestion which I said we had had in Washington that the Chancellor might wish to talk about expropriation policy and the role of the Bank in debt renegotiation (the view in some quarters that it should be the function of the Bank to secure a satisfactory settlement for the creditors). They agreed, however, that the Chancellor would be interested in the growing burden of debt as a general question and the difficulties to which it is currently giving rise, e.g. in Ghana and Chile. They thought, however, that the Chancellor would be more interested in the three points raised by

Mr. McNamara (IDA Four, Indo-China and India). They also thought

1. No. V not initially disinterested in 4th participation in 1962
2. after Dubois's intervention no V contacted 4th + said in due course would be prepared to have discussions
3. 4th still believes will lead to stable + solid + post reconstruction + dev.

30% 4%
 6% 10%
 FRG 10%
 US 40%
 UK 12.75%

UK
 3 issues
 total amt.
 2 shares
 alloc (to Dubois)
 what are their views
 their status
 the great danger of US weakness to LDC's (Dubois, etc) + indirectly to DC's - opportunity for Britain with its European partners to lead

out + DRV
 115 + others
 talking of more than is needed or could be absorbed

1. at a min. 11% would affect FRG to second 5% for relief.

that he might be interested to have Mr. McNamara's assessment of the prospects of tapping for development purposes the oil revenues of the Middle East States. They assumed that this would mean in most cases investment of a part of this revenue in World Bank bonds. I agreed, but said that we would also hope ultimately to persuade one or two of the richer oil states to make contributions to IDA.

The Treasury officials also confirmed that the Chancellor was interested in and had the principal responsibility for UK policy on the link (I had mentioned that we expected this topic to come up at luncheon at the Bank of England).

It was clear from these discussions that there will be no lack of topics for discussion at Mr. McNamara's meetings with the two Ministers on Monday. Since they will be comparatively short discussions it might be best to concentrate on the two or three most important points.

*Remarks
now (0452)*

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OFFICE MEMORANDUM

TO: Those Listed Below

DATE: June 14, 1973

FROM: Hollis B. Chenery, VP, Development Policy

SUBJECT: Seminar for Senior Management

There will be a seminar for senior management on the subject of "Approaches to Poverty and Employment Planning" on Wednesday, June 20, at 11:00 a.m. in Room C-1006. The subject will be introduced by Mr. Richard Jolly, Director of the Institute of Development Studies (Sussex) and the discussion will be opened by Mr. M. S. Ahluwalia (DRC).

*Page marked
me - I'll
attend.*

Mr. Jolly led the ILO employment mission to Kenya and is heavily engaged in problems of employment and income distribution. He is visiting Washington for a week as part of an IDS Bank editorial group that is working on the final stages of a manuscript entitled "Planning for Employment and Income Distribution". The document will be discussed at a final meeting planned for September (in Sussex) to which planners from a number of countries have been invited. We hope that its publication will make a significant contribution to the understanding of how income distribution objectives can be incorporated into national planning.

Distribution:

- ✓ President
- Members of President's Council
- Regional Department Directors
- Regional Chief Economists
- DPS Directors
- Mr. Van der Tak
- CPS Directors

MEMORANDUM FOR THE RECORD

UNITED KINGDOM - Discussions with Part I Countries

The Chancellor of the Exchequer, Mr. Anthony Barber, called to see Mr. McNamara on Wednesday, September 26, at 6 p.m. He had with him Mr. Gordon Richardson, Governor of the Bank of England, Mr. R.B.M. King of the Overseas Development Administration, and Mr. Anthony Rawlinson, Executive Director on the Bank Board. I was also present.

Mr. McNamara began by discussing the prospects for legislative approval of the Fourth Replenishment of IDA. Both Mr. Shultz and also the visiting Congressmen had been impressed by what they had heard at the Annual Meeting. Mr. McNamara thought he could muster support for the replenishment if the US Treasury would agree to let him. The chances were a good deal better than they were a month ago. He had felt that the shock tactics used in his opening address were necessary. Influential Congressmen, such as Mr. Patman and Mr. John Rhodes, had been influenced by the speeches at the meeting particularly that of the Chancellor.

Mr. Barber said that there was some opposition to aid in the United Kingdom also. If only members of Parliament and Congressmen would come and see for themselves there would be more progress.

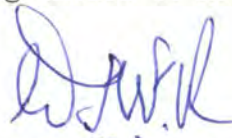
Mr. McNamara then mentioned the problem of China. A cable had been received from the Foreign Minister of the People's Republic asking that the representatives of the Republic of China should be expelled from the Bank Board in accordance with the UN Resolution. A similar cable had been sent to Dr. Witteveen. Mr. McNamara had replied that immediately on his return he would transmit the views of the Government of the People's Republic to his Executive Directors. It seemed highly doubtful that the People's Republic would assume the obligations of the Republic of China. Many implications of the question had still to be studied.

Mr. Barber then commented on his visit to Tanzania for the Commonwealth Finance Ministers meeting. The conference had gone very well but the general atmosphere of the country was somewhat depressing. The Peugeot Assembly Plant had just been shut down. Negotiations on compensation for British owners of buildings were going better and the United Kingdom was trying to get back to an aid relationship on a bilateral basis. Mr. McNamara expressed satisfaction with the discussions on aid in the Annual Meeting. The problem of Chile had still to be resolved. The Nordic countries had come close to charging the Bank with a share in the responsibility for Dr. Allende's death. The question of

President has seen

works procurement in India was still outstanding and credits for civil works had had to be held up, program loans being substituted. He had proposed a margin of protection of $7\frac{1}{2}\%$ for Indian contractors but the Board had been divided on this suggestion. The allocation of IDA funds to India was too small on any objective criterion. Naturally the United Kingdom was interested in this in view of their high share in Indian procurement.

Mr. McNamara then talked about the program of work on river blindness being carried out by the World Bank in conjunction with the FAO, WHO, and UNDP. The disease was very serious not only in itself but also because of the effect on development. Arable land in Upper Volta had been seriously reduced because men could not work within 100 miles of the three principal rivers there. A program of \$120 million for 20 years would be needed to be administered by a consultative group. He hoped that four or five governments would take the lead and make funds available in 1974. The UK contribution would be \$2 million or less. He proposed that a technical meeting should be held in October.



D. H. F. Rickett
Vice President

September 28, 1973