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Folder Title: Contacts with member countries: Canada - Correspondence 01

Folder ID: 1770992

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4549S

Series: Contacts - Member Countries files

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: June 28, 2013

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Washington, D.C.

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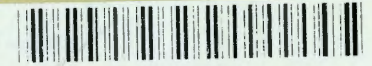
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McNamara Papers

Contacts
Canada (1968 - 1975)

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Contacts with member countries: Canada - Correspondence 01

CANADA

CANADA

4/26-28/68
(Mont Tremblant
Conference)

Gen. Jean V. Allard, Chief of the Defence Staff

Leonard Beaton, Visiting Professor of International Relations,
Toronto University

Michel Belanger, Deputy Minister of Industry and Commerce,
Province of Quebec

William Dodge, Executive Vice President, Canadian Labour Congress

Anthony G.S. Griffin, President, Triarch Corp. Ltd.

John W. Holmes, Director General, Canadian Institute of International Affairs

Allen T. Lambert, Chairman and President, The Toronto-Dominion Bank

Paul Martin, Minister without Portfolio. Former Secretary of State
for External Affairs

William F. McLean, President, Canada Packers Ltd.,

Jacques Parizeau, Professor "Ecole des Hautes Etudes Commerciales
de Montreal"

Lester B. Pearson, former Prime Minister

Louis Rasminsky, Governor, Bank of Canada, Ottawa

Ronald S. Ritchie, President, The Atlantic Council of Canada;
Director, Imperial Oil Ltd.

Claude Ryan, Publisher and Editor "Le Devoir"

Albert A. Thornbrough, President, Massey-Ferguson Ltd.

7/29/68

Ambassador A. Edgar Ritchie

1. 8/1/68

Denis Hudon, Executive Director, World Bank

2. 9/4/68
(Ottawa)

Maurice F. Strong, Director General, External Aid Office

3. 9/4/68
(Ottawa)

E. J. Benson, Minister of Finance, and associates (list attached)

4. 9/4/68
(Ottawa)

Robert B. Bryce, Deputy Minister, Department of Finance
E.A. Oestreicher, Director, International Programmes Division,
Department of Finance, and Messrs. Hockin and Johnson
Louis Rasminsky, Governor of the Bank of Canada

5. 9/4/68
(Ottawa)

6. 9/4/68
(Ottawa)

Luncheon list and dinner list

9/4/68
(Ottawa)

Prime Minister Pierre Elliott Trudeau

- 3/17-18/69 Mr. Maurice F. Strong, Director General, External Aid Office
(with Sir Geoffrey Wilson, UK Ministry of Overseas Development)
Memorandum of Conversation filed under UK
- 3/25/69 Prime Minister Pierre Elliott Trudeau (dinner at the Canadian
Ambassador's residence)
7. 5/2/69 Louis Rasminsky, Governor, Bank of Canada
- 4/23-25/69 Maurice Strong, President, Canadian International Development Agency
(Bellagio Conf.)
- 5/9-11/69 Claude Bissell, President, Univ. of Toronto
(Bilderberg)
- " Marcel Cadieux, Department of External Affairs
- " Anthony G.S. Griffin, President, Triarch Corp., Ltd.
- " Marshall McLuhan, Prof. of Philosophy, Univ. of Toronto
- 7/24/69 Maurice Strong, Director General, External Aid Office
8. 9/29/69 Edgar Benson, Minister of Finance
Maurice Strong, President, Canadian International Development Agency
- 9/29/69 Maurice Strong, President, Canadian International Development Agency
- 8a. 10/10&10/21/69 (alone)
- 10/8/69 Patrick Reid, ED
Arnold Smith, Commonwealth Secretary
Mr. Salter (press assistant?)
- 2/20/70 Mitchell Sharp, Secretary of State for External Affairs
(Montebello Conf.)
Maurice P. Strong, President, Canadian International Development Agency

Jean-Pierre Goyer, Parliamentary Secretary to Secretary of State for
External Affairs

Lester B. Pearson, Chairman, Commission on International Development,
Ottawa
- ~~4/6-12/70 Maurice P. Strong, President, Canadian International Development Agency
(Bellagio &
Ditchley
Conf.)~~
- 4/6-9/70 David Hopper, President, International Development
(Bellagio
Conf.)
- 4/10+12/70 G.P. Kidd, Vice President, Canadian International Development Agency
(Ditchley
Conf.)
- 4/6-9/70 Dr. George F. Brown, Public Health, Canadian International
(Bellagio Development Agency
Conf.)

5/20-22/70
(Paris)

Representatives and Observers at the OECD Meeting:

Hon. S. R. Basford, Minister of Consumer and Corporate Affairs
Hon. H. Gray, Minister without Portfolio
J. R. McKinney, Head of the Permanent Delegation
J. F. Grandy, Deputy Minister, Consumer and Corporate Affairs
M. G. Clark, General Director, Office of General Relations,
Department of Industry, Trade and Commerce
M. Dupuy, Director General of Economic Affairs, Department
of External Affairs
S. J. Handfield-Jones, Director, International Finance, Department
of Finance
H.J. Hodder, Director, Multilateral Institutions Division, Canadian
International Development Agency
R. C. Monk, International Programmes Division, Department of Finance
P. Anglin, Executive Assistant to the Minister of Consumer
Corporate Affairs
A. Benicy, Special Assistant to the Minister without Portfolio

Permanent Delegation: E. G. Drake
P. E. Laberge
P. J. Beaulieu
M. Faguy

6/18-19/70
(Heidelberg)

International Meeting on Development Policy:

Lester B. Pearson, Former Chairman, Commission on International
Development

Maurice F. Strong, President, Canadian International Development Agency
G. P. Kidd, Vice President, Canadian International Development Agency
Mrs. I. Arnott

7/10/70

Maurice F. Strong, President, Canadian International Development Agency

9. 12/2/70

Paul Gerin-Lajoie, President, Canadian International Development Agency-
lunch

12/3-4/70
(Bellagio
Gp., NYC)

" " " " " " "
Ellis L. Hatt, Canadian International Development Research Center
W. David Hopper, Canadian International Development Research Center

10. 1/28/71

Escott Reid, former Bank staff member

11. 3/8/71

Mr. Isbister

4/23-26/71
(Tide. IV,
Lausanne)

Paul Gerin-Lajoie, President, Canadian International Development Agency
Andre Mailhot
Rw. McLaren

12/3/71

(Meeting of the Consultative Group on International Agricultural Research)
F.J. Chambers, Vice President, Canadian International Development Agency
H.G. Dion, Special Agricultural Adviser, Canadian International
Development Agency
T.G. Willis, Coordinator, International Agricultural Development,
Department of Agriculture

- 11/10/71
(Bangkok) Ambassador Gordon Cox, Chairman, Development Assistance Group
for Thailand (memo filed under Thailand)
- 4/17/72 John J. Deutsche, Principal and Chancellor, Queen's University,
Ontario, Canada
- 5/3-5/72
(Bellagio) Paul Gerin-Lajoie, President, Canadian International Development Agency
- 6/16/72
(NY) John H. Moore, President, Brascan Limited, Toronto
12. 3/7/73 Paul Gerin-Lajoie, President, CIDA
(Toronto) Earl Drake, Vice President, CIDA
Stephen Free
Eliot Trudeau, Prime Minister
Mitchell Sharp, Minister of External Affairs
Alastair Gillespie, Minister of Trade and Commerce
- 3/8/73
(Toronto) Murray H. Chercover, President and Managing Dir., CTV Television
Eugene Hallman, V.P. and Gen. Mgr, English Services Division, CBC
W. J. Carradine, Vice President, Southam Press Ltd.
James Cooper, President and Publisher, The Globe and Mail
Hon. Kenneth R. Thomson, Chm. and President, Thomson Newspapers Ltd.
J. Lin Craig, Exec. V.P., Maclean-Hunter Ltd.
Martin W. Goodman, Editor-in-Chief, Toronto Star
13. 3/22/73 Jacques Gerin, Vice President, Bilateral Programs Branch, CIDA
- 5/9-12/73
(Bellagio III Paul Gerin-Lajoie, President, CIDA
Population Mtg.) David Hopper, President, International Development Research Center
14. 9/24/73 John N. Turner, Minister of Finance
(Nairobi) Earl G. Drake, Vice President, CIDA
- 11/28/73 Paul Gerin-Lajoie, President, CIDA
Jacques Gerin, Vice President, Bilateral Programs Branch, CIDA
- 12/8,9/73 Paul Gerin-Lajoie, President, CIDA
- 1/27/73 David Hopper, President, International Development Research Center
- 5/2/74 David Hopper, President, IDRC
- 5/3/74 Louis Rasminsky, Chairman, IDRC
- 12/7-8/74 Paul Gerin Lajoie, President, CIDA
(Tidewater David Hopper, President, IDRC
St. Donat, Que.) Allan MacEachen, Secretary of State for External Affairs

- 12/17/74 Louis Rasminsky
15. 12/18/74 John Turner, Minister of Finance
Wm. Hood, Assistant Deputy Minister of Finance
Edward Neufeld, Director, International Financing Division,
Ministry of Finance
Alec MacPherson, Director, International Programs Division,
Ministry of Finance
- 1/16/75 Paul Gerin-Lajoie, President, Canadian International Development Agency
- 4/25-27/75 Bilderberg:
(Cesme, Turkey) John J. Deutsch, Queen's University, Kingston, Ontario
Duncan L. Gordon, Clarkson, Gordon & Co. - Toronto
Anthony G. S. Griffin, Home Oil Co. Ltd. - Toronto
Joseph Morris, Canadian Labour Congress - Ottawa
16. 5/7/75 John Turner, Minister of Finance
Wm. Hood, Assistant Deputy Minister of Finance
Edward Neufeld, Director, International Financing Division,
Ministry of Finance
- 6/12-13/75 John N. Turner, Minister of Finance
(Paris-Dev. Cte.)
- 9/28-29/75 Allan J. McEachen, Secretary of State for External Affairs
(Tidewater, Germany) Paul Gerin-Lajoie, President, Canadian International Development Agency
- 11/22/75 Claude Isbister (and Mrs. Isbister) at lunch
- 12/2/75 Paul Gerin-Lajoie, President, Canadian International Dev. Agency
- 12/10/75 Donald Macdonald, Minister of Finance
Robert E. Joyce, Assistant Deputy Minister, Department of Finance
Edward Neufeld, Director, International Finance Division, Ministry
of Finance
William Hood, Assistant Deputy Minister of Finance
- 1/6-10/76 Donald S. Macdonald, Minister of Finance
(Dev.Cte., Kingston) Paul Gerin-Lajoie, President, Canadian International Development Agency
17. 3/22/76 Barnett Danson, Minister of State for Urban Planning
James MacNeill, Secretary in the Ministry of Urban Affairs
Charles Kelly, Assistant to the Minister (Urban Planning)
Kenneth Merklinger, Counselor of the Embassy in Washington
- 5/7/76 Paul Gerin-Lajoie, President, Canadian International Dev. Agency
- 7/13/76 Claude Isbister, Royal Commission on Petroleum Products Pricing
(dinner at home)
- 7/14/76 Mr. Isbister - alone in the office

18. 9/14/76 (Ottawa) C. M. Drury, Minister of Public Works, Science and Technology
Dr. R. K. Joyce, Assistant Deputy Minister of Finance
D. Hilton, Director, International Programs Division, Dept. of Finance
Mrs. Sheila Robertson, Department of Finance
Donald Macdonald, Minister of Finance
Thomas Shoyama, Deputy Minister of Finance
Dr. W. C. Hood, Associate Deputy Minister of Finance
Dr. Edward Neufeld, General Director, International Trade and Finance Branch, Department of Finance
A. Jubinville, Bank of Canada
G. Lalande, CIDA
V. Summer, Export Development Corporation
P. Towe, External Affairs
T. M. Burns, Industry, Trade and Commerce
B. MacDonald, Treasury Board
Prime Minister Trudeau
Allan MacEachen, Secretary of State for External Affairs
Ivan Head, Assistant Principal Secretary, International Relations, Office of the Prime Minister
Paul Gerin-Lajoie, President, CIDA
- 10/19/76 Paul Gerin-Lajoie, President CIDA - Alone with RMcN
- 12/4-5/76 (Tidewater, Japan) Paul Gerin-Lajoie, President CIDA
- 2/15/77 David Hopper, President, IDRC
- 4/15/77 Paul Gerin-Lajoie, former President CIDA
- 6/6-9/77 (Bellagio, Denmark) David Hopper, President, International Development Research Centre
Noble Power, Vice-President for Bilateral Programs, Canadian International Development Agency
- 6/10/77 Mr. and Mrs. David Hopper (dinner at Tracy Place)
- 7/28/77 David Hopper, President, IDRC
- 8/16/77 David Hopper, President, IDRC (lunch at Bank)
- 9/9/77 Claude Isbister, Currie, Coopers & Lybrand Ltd. (former ED)
19. 9/26/77 Jean Chretien, Minister of Finance
Michel Dupuy, President, Canadian International Development Agency
- 10/7/77 Claude Isbister - Currie, Coopers & Lybrand (former ED)
- 2/3/78 Claude Isbister (with Mrs. Isbister -- dinner at Tracy Place)
- 4/28/78 Ivan Head, President, IDRC (Lunch at the Canadian Embassy)
20. 4/6/79 Michel Dupuy, President, Canadian International Development Agency
21. 9/29/79 Annual Meeting John Crosbie, Minister of Finance
Messrs. Joyce, Hilton, Reed, Drake

- 22. 11/6/79 The Hon. Michael H. Wilson, Minister of State for
International Trade
- 23. 2/14/80 Grant Reuber, Deputy Minister of Finance
Mr. Drake (ED)
- 1/19/81 John turner, former Finance Minister
(At lunch for the Joint Committee on Remuneration - EDs)
- 2/20/81 Mr. Paul Gerin-Lajoie, former Alternate Governor



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: August 2, 1968

FROM: William Clark *W.C.*SUBJECT: Lunch with Denis Hudon

Three points of particular interest:

1. He suggested that Canada might make its contribution to IDA unconditional. You welcomed this and urged it on him.
2. He hoped that Canada might cooperate with the Bank in some project evaluation etc. for Canada's own aid program. He stressed how helpless a small country like Canada felt in planning its aid program. He also urged that the Bank move (in fact if not in form) away from isolated projects, towards program aid, or at least towards linked projects whose priority was determined in relation to the development program as a whole.
3. He made a heartfelt plea that the Bank should not neglect India, which has planned for development for 20 years, in order to help Indonesia whose past record is so bad.

WDC:ark:sf

*Tally
but anyway
memo book*

September 9, 1968

Mr. McNamara's Meeting with Maurice F. Strong, Director General, External Aid Office, and Denis Hudon, Deputy Director General, External Aid Office, and Canadian Executive Director, Ottawa, Canada, September 4, 1968, 9:15 a.m., in Mr. Strong's Office. Also present were Messrs. P. Reid and R.B. Steckhan.

Mr. Strong warmly welcomed Mr. McNamara's timely visit to Canada and outlined the Canadian bilateral assistance program. He put particular emphasis on proposals his office was about to put up to the new Canadian Government to make Canadian tied aid more flexible. A first step in this direction had been taken last year when a new policy of financing local costs up to a maximum of 25% of the total Canadian contribution was inaugurated. Mr. Strong emphasized that Canada would not completely abandon its bilateral aid program for budgetary and balance of payments reasons. Mr. McNamara mentioned the penalties of bilateral aid in terms of high price and wrong priorities. Mr. Strong then invited Mr. McNamara to give his views on the future of development aid.

To start with, Mr. McNamara emphasized that many developing countries badly needed changes in social and economic policies. Canada, in his view, was in a unique position to advise and persuade them to adopt sound policies. Canada's willingness to provide advice in these fields was probably more important than its financial contribution.

The second point Mr. McNamara wanted to emphasize was the impressive over-all progress of the developing world which should be recognized as such. Unfortunately, over-all progress was seriously undermined by an excessively high rate of population growth.

Mr. McNamara felt that the Bank could play an important part in providing more money and advice to developing countries and in assisting countries to control the growth of their population.

Turning to the money raising side of the Bank Group's operations, Mr. McNamara recalled that the World Bank had successfully started to borrow more money in the capital markets. The outlook for an early replenishment of IDA, however, was not good, to say the least. The World Bank had originally planned to commit \$790 million of second replenishment funds in FY1969. Without the second replenishment only \$130 million were available and roughly \$300 million worth of projects could be temporarily financed by Bank loans. In this context, Mr. Strong indicated that Canada might be able to make a unilateral contribution to IDA in accordance with the terms of the second replenishment formula without immediate U.S. participation. Mr. McNamara thought that such a contribution after November 1 would be extremely helpful since it would provide IDA with extra funds and additional pressure would be put on Congress.

Mr. Strong asked whether the World Bank was willing to manage bilateral aid funds. Mr. McNamara expressed his readiness to consider this question sympathetically provided bilateral aid funds were made available without policy restrictions such as tied procurement. Mr. Strong believed that it would strengthen his hand in attempting to make Canadian bilateral aid more flexible if the World Bank would accept to manage Canadian aid funds with proper Canadian "identification."

Coming back to Mr. McNamara's earlier remarks on advice to developing countries, Mr. Strong wondered what could be done in persuading them to adopt policies conducive to a more efficient use of resources. In reply, Mr. McNamara expressed the hope that Canada would take a leading part in such attempts. In big countries such as Brazil, the World Bank could do only so much in urging them to adopt necessary policy changes. If Canada as a sovereign nation would endorse the Bank's advice to these countries, this might often tip the scales and persuade them to adopt sound economic development policies. Mr. McNamara assured Mr. Strong that all he had in mind was to use economic aid as a lever for economic policy changes. It was well understood that aid should not be used to force developing countries to change their foreign policy.

With respect to Indonesia, Mr. Strong was curious to learn more about the contemplated role of the resident mission. He cautioned Mr. McNamara, however, that Canada would find it difficult to aid Indonesia substantially since Canadian aid was concentrated in certain regions of the world and Indonesia was not among these. Mr. McNamara elaborated on the relationship between the Bank Group and Indonesia and the role of the resident mission. In a nutshell, the mission's role was to give advice without assuming responsibility.

Mr. McNamara asked Mr. Strong for his views on the Canadian reaction to population control. Mr. Strong explained that a special statute (the Food and Drug Act?) banned the advertising of contraceptives in Canada. This had been construed to mean that Canada was not permitted to give bilateral aid for population control programs. This law was expected to be repealed in the near future. He and others had freely talked about population control abroad and before international forums but Government pronouncements on this matter within Canada were scarce. Cardinal Roy of Canada, who happened to be the Chairman of the Pontifical Commission for Justice and Peace, had not yet come out with a statement on population control. It was Mr. Strong's personal view that the majority of the Canadian voters would not oppose Government support of population control programs in developing countries. Similarly, two years ago when the Canadian Parliament had legalized abortions, the bill drew only weak protest.

Finally, Mr. Strong raised the question of the role of the armed forces in the development of developing countries, pointing to Canada's successful program of training the Ghanaian Army. The well trained Ghanaian Army had turned out to be an important element in the rehabilitation of the Ghanaian economy after the ouster of President Nkrumah. Mr. McNamara agreed that the Canadian Army might have an important role to play but, as far as the World Bank was concerned, it would not be proper for this institution to finance or support such programs.

Rainer B. Steckhan

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cc: President's Council
Mr. Wm. Clark
Mr. Rosen

Rainer B. Peckham

September 10, 1968

Mr. McNamara's Meeting with Mr. E.J. Benson, Minister of Finance, and his associates (see attached list) Ottawa, Canada, Wednesday, September 4, at 10:30 a.m. Present also were Messrs. P. Reid and R.B. Steckhan.

Minister Benson welcomed Mr. McNamara to Ottawa and then invited his colleagues to ask questions.

Mr. Bryce enquired about how the Bank intended to compensate for decreasing bilateral aid and lacking IDA funds. In reply Mr. McNamara outlined the Bank's plans for a major expansion of its lending, particularly for agriculture and education and an increased emphasis on its lending to Latin America and Africa. Similarly, the Bank Group planned to take a more active role in providing advice to developing countries, as evidenced by the setting up of the resident mission in Indonesia.

In this context, Governor Rasminsky wondered whether the contemplated expansion would in any way impair the Bank's reputation as a conservatively and soundly managed institution. Mr. McNamara expressed his strong belief that the Bank's activities could be expanded without compromising the Bank's credit standing. The Bank's standing was not only determined by the unpaid subscriptions of all solvent western governments but also by maintaining the recognized high standards of project appraisal and supervision. To give an example, in Turkey which had no serious debt-servicing problem, it would be possible for the Bank to shift temporarily IDA credits to Bank loans, while in India with its already excessive debt burden, it would not be wise for the Bank to shift contemplated IDA credits for industrial imports amounting to \$250-\$375 million to Bank loans.

Minister Benson then raised the question of unilateral contributions to IDA in accordance with the second replenishment formula by countries other than the U.S. Minister Sharp wondered whether a Canadian initiative in this respect would be wise at a time when the U.S. Congress might still act. In response, Mr. McNamara stated his view that a Canadian initiative at this stage might conceivably endanger the already dim chances of the pending IDA bill in Congress. Any initiative after November 1, and certainly after the first of the year, however, would put increasing pressure on the U.S. Congress to pass the IDA bill. Mr. McNamara, in response to a question, added that it would be sufficient for IDA to receive an authority to commit rather than immediate cash contributions.

In reply to a question by Minister Pepin, Mr. McNamara pointed out that Canada had substantially benefited from the placement of orders financed under Bank loans and IDA credits and that the total amount of Bank/IDA financed procurement in Canada exceeded her financial contributions to the World Bank Group. However, financial benefits derived from participation in IDA could not be the standard on which a nation should contribute to IDA. Moreover, Canada could play a most valuable role in the activities of the World Bank Group by giving advice, especially through participation in consultative groups without necessarily contributing substantial sums.

Subsequently, Mr. Strong invited Mr. McNamara to elaborate on Canada's role in the field of development aid. Mr. McNamara was reluctant to discuss matters which touched on Canada's foreign policy. In a general way, however, he would like to stress that developing countries needed advice, for example, on how to curb the population explosion. The Bank alone could not give all the advice required nor exercise all the influence that was needed. It was clear to him that the Bank could

not effectively perform its role as an economic advisor of the developing countries without the backing of sovereign countries such as Canada, Germany and Japan. The United States was obviously trying to reduce its overseas aid commitments and could not be counted upon for increased support.

Mr. Bryce felt that Canada was short of good economists who were able to advise on development problems and that generally speaking there was a shortage of economic talent in the developing world. He also wondered whether foundations were not particularly equipped to give advice in the field of economic development. Mr. McNamara agreed with Mr. Bryce that foundations were extremely important and had immense influence and that they provided a good illustration of his opinion that one could give advice and influence economic policies without putting up much money. In this respect, Mr. McNamara mentioned the good work being done with very little money by the Ford Foundation in Egypt.

On the same point, Minister Pepin wondered why the Bank had to move in the field of population planning as long as other institutions such as foundations were working in this field. Mr. McNamara emphasized that at this time only the Ford Foundation was involved in population control programs and even the Ford Foundation had only spent a small fraction (some \$11 million) of its total expenditures in this field. The developing countries were in great need of good advice and both Canada and the World Bank had a very important function to perform.

Governor Rasminsky wondered whether advice and support of Bank lending was all Canada could usefully do. Mr. McNamara cited a number of other actions such as subscription to the Bank's two-year bonds, unilateral contribution to IDA in accordance with the second replenishment formula, support of the Bank's contemplated role in population planning, assistance in establishing consultative groups where they were needed, etc.

Minister Sharp then addressed himself to the Pearson Commission. He was curious to know why the Bank, rather than the United Nations, had felt a special responsibility in sponsoring the grand assize. Mr. McNamara replied that a U.N.-sponsored commission, for political reasons, might feel inhibited to undertake the free and independent investigation the Pearson Commission was set up to make. He was sure, however, that the Commission would consult the appropriate organs of the U.N. The Bank would not attempt to direct the Commission's activities or to influence its conclusions.

Turning to a more general question, Minister Sharp wondered whether the Bank did not force the pace of development too much and throw away good money. After all, the development of the now industrialized countries was the result of social and educational reforms that took place a hundred years ago. Mr. McNamara agreed that results could not be expected overnight. In his view, there was a chance, however, that, if the developing countries followed good advice, they could make rapid progress. Mr. McNamara fully concurred with Minister Sharp that one should not attempt to force developing countries beyond what was politically feasible in these countries.

Mr. Bryce enquired whether the Bank's economic advice to India had been successful. In his reply, Mr. McNamara indicated that in his view India was better off now than it would have been without following the Bank's advice. At the same time, Mr. McNamara recognized that many people in India had considered the Bank's advice as an invasion of her sovereign rights and this had resulted in some ill feelings which were the price one had to pay for pushing economic reforms.

The discussion then turned to ways and means of increasing the flow of private capital to developing countries. Mr. McNamara stated that the Bank had a long tradition of encouraging the developing countries to make foreign investments more attractive and that the Bank intended to expand this role. He reminded his audience that IFC was set up for the express purpose of channeling private funds to developing countries and that IFC had an outstanding staff. The results of IFC, however, in terms of total private funds invested in developing countries had so far not been overimpressive.

Minister Pepin raised the question of lending to ~~agriculture~~^{education} and wondered what the Bank's experience was in this respect. Mr. McNamara replied that it was too early to evaluate the ~~impact~~ of the Bank Group's loans for education but that, in his view, these loans were the right thing to do. In this context, Mr. Bryce wanted to know whether the Bank had worked out a philosophy on the place of education in economic development. Mr. McNamara responded that the Bank did not yet have all the answers on this question. He was sure, however, that, in countries with an illiteracy rate as high as 70%, education projects are bound to pay off handsomely and that the Bank should expand lending for education purposes especially in these countries substantially. If the question were raised, however, whether or not the Bank should go into financing education for self-fulfillment, that is for projects which would not immediately yield quantifiable benefits to the economy, he would be reluctant to commit himself at this stage.

In conclusion, Mr. Benson warmly thanked Mr. McNamara. He reiterated that Canada intended to increase her aid within the limits of her budget and balance of payments prospects and that Canada continued to be a strong supporter of the World Bank Group.

cc: President's Council
Mr. Wm. Clark
Mr. Rosen

Rainer B. Steckhan
Rainer B. Steckhan

Interdepartmental Meeting
Chaired by the Honourable E.J. Benson
Large Conference Room, East Block
September 4, 1968

Mr. Robert S. McNamara, President, IBRD/IFC/IDA.

Mr. Rainer B. Steckhan, Personal Assistant to the President, IBRD.

Mr. Patrick Reid, Alternate Canadian Director, IBRD.

The Honourable Mitchell Sharp, Secretary of State for External Affairs.

The Honourable Jean-Luc Pépin, Minister of Trade and Commerce.

Mr. R.G. Robertson, Clerk of the Privy Council and Secretary to the Cabinet.

Mr. R.B. Bryce, Deputy Minister, Department of Finance.

Mr. Louis Rasminsky, Governor, Bank of Canada.

Mr. Marcel Cadieux, Under-Secretary of State for External Affairs.

Mr. J. Warren, Deputy Minister, Department of Trade and Commerce.

Mr. Maurice F. Strong, Director General, External Aid Office.

Mr. R.W. Lawson, Deputy Governor, Bank of Canada.

Mr. J. Langley, Assistant Under-Secretary of State for External Affairs.

Mr. Rodney Grey, Assistant Deputy Minister, Department of Finance.

Mr. L. Denis Hudon, Deputy Director General, External Aid Office and
Canadian Executive Director, IBRD.

Mr. George P. Kidd, Deputy Director General, External Aid Office.

Mr. O.G. Stoner, Deputy Secretary to the Cabinet.

Mr. George Watts, Research Adviser, Bank of Canada.

Mr. David Kirkwood, Director, Economic Division, Department of External Affairs.

Mr. E.A. Oestreicher, Director, International Programmes Division,
Department of Finance.

Mr. J. Midwinter, Chief, Financing & Aid, Department of Trade and Commerce.

Mr. H.J. Hodder, Director, Multilateral Aid Division, External Aid Office.

September 9, 1968

Mr. McNamara's Meeting with Mr. Robert B. Bryce, Deputy Minister, Department of Finance at Mr. Bryce's Office (also present: Messrs. Oesterreicher, Hockin, Johnson, P. Reid and R.B. Steckhan) Ottawa, Canada, September 4, 1968, 3:00 p.m.

Mr. Bryce met with Mr. McNamara to explore in more detail ways in which Canada could help the Bank.

With respect to a unilateral contribution to IDA, Mr. Bryce saw no obstacle in making Canada's contribution in the form of non-interest bearing notes to be drawn down over two years with the understanding that the Bank would not draw down the full amount of the contribution in the first year without prior approval of the Government. Mr. McNamara expressed his appreciation at Mr. Bryce's cooperative attitude emphasizing that a unilateral IDA contribution by Canada after November 1 would be of invaluable help.

Concerning the upcoming issue of two-year notes, Mr. Bryce emphasized that Canada was basically sympathetic to the idea of subscribing to the issue. He pointed out, however, that, under an arrangement worked out between the Canadian Government and Secretary Fowler in March of this year, Canada undertook to invest her U.S. dollar reserves over and above "necessary working balances" in special "longer-term", i.e., 13 months or longer, U.S. Treasury Notes. Mr. Bryce did not believe that two-year bonds purchased by Canada could be considered "working balances" since they could probably not be translated into cash within 48 hours and since, on a previous occasion, Canada had refused to purchase U.S. agency bonds, claiming that such purchase was contrary to the March 1968 arrangement. To meet this point, Mr. McNamara undertook to explore the possibility of the Bank's investing the proceeds from Canada's purchase of two-year bonds in "longer-term" U.S. securities.

The conversation then turned to Canada's role in consultative groups and consortia. Mr. McNamara expressed pleasure at Canada's constructive role in World Bank consortia. He added, however, that Canada could usefully take a more active role in helping the Bank set up new consultative groups. If the Bank decided to establish a consultative group for Brazil, support by the Canadian Government could be crucial. Generally speaking, Mr. McNamara thought that there was no region in the world where Canada could play a more effective advisory role than in Latin America.

In this connection, Mr. Bryce enquired about the Bank's relationship with Argentina. The Canadian authorities had been informally sounded out on permission for an Argentine bond issue next year. Moreover, Argentina had sent a delegation to Canada seeking finance for the El Chocon project. Mr. McNamara described the Bank's relationship with Argentina as unsatisfactory since the Bank had lent only \$70 million to Argentina over the last five years. A major step-up of activities was planned. Both Mr. McNamara and Mr. Bryce agreed that the El Chocon project seemed to make sense.

Mr. Oesterreicher asked about the future of Bank Group lending to India. Mr. McNamara explained that IDA had planned to lend up to \$375 million over FY1968 and FY1969 for industrial imports which could not be financed through Bank loans because India was not sufficiently creditworthy. However, some contemplated project credits to India could possibly be shifted to Bank loans. India had a continued need for huge funds which it could absorb effectively. This, however, was his personal evaluation and he knew that the U.S. Government and possibly a majority of Executive Directors would disagree with this.

Asked what Canada could conceivably do to support population programs, Mr. McNamara explained in reply that he would welcome vocal support at the upcoming Governors Meeting, support in statements before the U.N. and public forums and support by the Canadian Executive Director for population projects, (e.g., vehicles for doctors and nurses working for a population control program).

Finally, Mr. Bryce raised the question of Canadian personnel. Mr. McNamara pointed out that he wanted more qualified Canadians on the staff of the Bank and the restrictions on the recruitment of Anglo-Saxon staff were limited to the U.S. and the U.K. Mr. Bryce stated that Canada did not seek increased representation on the staff of the Bank. He believed, however, that it might be possible to get people from Canadian universities to join the Bank staff for, say, two years.

cc: President's Council
Mr. Wm. Clark
Mr. Ripman
Mr. Rosen

Rainer B. Steckhan
Rainer B. Steckhan

Memorandum of Conversation with Sir Geoffrey Wilson and Maurice Strong,
March 17, 1969.

Original filed in Mr. McNamara's desk drawer

Copy filed in Memoranda of Conversation book under UK

September 9, 1968

Mr. McNamara's Meeting with Messrs. Louis Rasminsky, Governor of the Bank of Canada, and Lawson, Deputy Governor of Bank of Canada, at Mr. Rasminsky's office, Ottawa, Canada, September 4, 1968, 3:45 p.m. Also present were Messrs. P. Reid and Steckhan

Mr. McNamara started out by explaining the Bank's plans to build up gradually the aggregate of its outstanding two-year bonds from \$425 million at present to \$600 million and ultimately to \$1 billion. These two-year bonds would be in addition to some \$600 million worth of two- to five-year notes held by the German Bundesbank. A first step had been taken six months ago by successfully floating a \$125 million two-year bond issue and on October 1 the Bank hoped to sell \$150 million worth of two-year bonds. Any Canadian subscription to the upcoming bond issue would be most welcome. Without a Canadian subscription the Bank would make in fiscal 1969 net repayments to Canada aggregating \$15 million as compared with fiscal 1968 when the Bank borrowed in Canada a net amount of some \$13 million. Governor Rasminsky replied that the two-year bonds were very attractively priced but Canada was bound to keep her dollar holdings (with the exception of "necessary working balances") in special "longer-term" U.S. Treasury notes. He did not believe that two-year bonds purchased by Canada could be considered "working balances" and both he and Mr. Bryce were very reluctant to ask Secretary Fowler for an exemption. Mr. McNamara suggested that it might be possible for the Bank to invest the proceeds from the sale of two-year bonds to Canada in the U.S. in such a way as to be regarded as "longer term" from the U.S. balance of payments viewpoint. He would discuss this with the U.S. Treasury on his return. Governor Rasminsky welcomed this idea indicating that, if a deal could be worked out between the Bank and the U.S. Treasury, Canada might consider a subscription of \$10-\$15 million with the possibility of gradually increasing this amount in future issues.

In this connection, Mr. Lawson wondered whether the Bank had a general arrangement with the U.S. concerning the use of the Bank's cash funds. Mr. McNamara stated that no general arrangements existed. However, special arrangements were occasionally made in respect of individual borrowings. For example, with respect to the upcoming \$275 million issue, arrangements had been made to offset the balance of payments effect for some 12 months or so.

Governor Rasminsky said he had expected Mr. McNamara to raise the question of a public issue in Canada. World Bank bonds were generally quoted about 20-25 basis points above Ontario hydro bonds and the most recent Ontario hydro issue had been successfully sold at 7% at a premium to yield 7.09%. The World Bank, in Governor Rasminsky's view, would now have to pay the same price as on the previous issue which was 7½%. Mr. McNamara explained his philosophy which was not to borrow above the Bank's lending rate, meaning at present that the Bank should not pay more than 6.75% net of underwriting commission.

Governor Rasminsky expressed interest in the Bank's success in raising money from Saudi Arabia and Kuwait and Mr. McNamara stated that these countries were keenly interested in channeling funds through the Bank to their poor Arab neighbors.

Governor Rasminsky and Mr. McNamara finally discussed the latest Bank borrowings in the U.S. and European capital markets. Governor Rasminsky reported that several German banks other than the big three banks had been looking for business in Canada. In Governor Rasminsky's view, the Bundesbank did not have the same control

over these ^abnks as over the Deutsche Bank. Canada had borrowed recently US\$62.5 million in the German market through the Deutsche Bank and also US\$100 million from Italy. Mr. McNamara said the Bank had not done business in Italy and he was not quite sure whether Italy should and could be a permanent net exporter of capital.

cc: President's Council
Mr. Wm. Clark
Mr. Rosen

Rainer B. Steckhan
Rainer B. Steckhan



Luncheon
Hosted by Mr. R.B. Bryce
for
Mr. Robert S. McNamara
at
The Country Club
at 1:00 p.m. on September 4

- Mr. Robert S. McNamara, President, IBRD/IFC/IDA.
- Mr. Rainer B. Steckhan, Personal Assistant to the President, IBRD.
- Mr. Patrick Reid, Alternate Canadian Director, IBRD.
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- Mr. R.G. Robertson, Clerk of the Privy Council and Secretary to the Cabinet.
- Mr. Louis Rasminsky, Governor, Bank of Canada.
- Mr. Marcel Cadieux, Under-Secretary of State for External Affairs.
- Mr. J. Warren, Deputy Minister, Department of Trade and Commerce.
- Mr. Maurice F. Strong, Director General, External Aid Office.
- Mr. R.W. Lawson, Deputy Governor, Bank of Canada.
-
- Mr. J. Langley, Assistant Under-Secretary of State for External Affairs.
- Mr. Rodney Grey, Assistant Deputy Minister, Department of Finance.
- Mr. L. Denis Hudon, Deputy Director General, External Aid Office,
and Canadian Executive Director, IBRD.
- Mr. George P. Kidd, Deputy Director General, External Aid Office.
- Mr. O.G. Stoner, Deputy Secretary to the Cabinet.
- Mr. E.A. Oestreicher, Director, International Programmes Division,
Department of Finance.
- Mr. J. Midwinter, Chief, Financing & Aid, Department of Trade and Commerce.

Dinner for Mr. Robert McNamara
Hosted by the Right Honourable Pierre Elliott Trudeau
Prime Minister of Canada

at

24 Sussex Drive, at 7:45 p.m. on Sept. 4, 1968

Mr. Robert S. McNamara, President, IBRD/IFC/IDA.

The Honourable Mitchell Sharp, Secretary of State for
External Affairs.

The Honourable Edgar J. Benson, Minister of Finance
and Receiver General.

The Honourable Jean-Luc Pépin, Minister of Trade & Commerce.

The Honourable Gérard Pelletier, Secretary of State of Canada.

Mr. R. B. Bryce, Deputy Minister of Finance.

Mr. Louis Rasminsky, Governor, Bank of Canada.

Mr. Maurice Strong, Director General, External Aid Office.

Files

May 6, 1969

Denis Rickett Sir Denis Rickett

Conversation with the Governor of the Bank of Canada

Governor Rasminsky, after he had seen Mr. McNamara on the morning of Friday, May 2nd, came to see me and talked about the Bank's two-year bonds. He was accompanied by Mr. Patrick Reid, the Canadian Executive Director. Governor Rasminsky said that the Bank of Canada had decided, in principle, that they would increase their holding by \$12-1/2 million each time there was a new issue until their total holding had reached \$50 million. This would represent 2% of their reserves if they were standing at \$2.5 billion.

2. The Bank of Canada would regard their holding of World Bank bonds as being "at the bottom of the pile". For them, therefore, the question of liquidity was not so important. Their rules and regulations permitted them to hold bonds up to four years in maturity. He realized, of course, that the legislative position varied as between central banks. So far as the Bank of Canada was concerned, to reduce the maturity of the bonds to one year would be a step in the right direction insofar as it was significant at all but it would not be important.

3. He thought that we should treat the idea of a "buy-back" facility as being very much a last resort. He thought that we might find it embarrassing to buy our own securities at a discount. It would, moreover, be necessary to tie up a part of our liquid assets as a reserve against calls under any buy-back provision.

4. He wondered whether it would not be better to develop the secondary market in New York. The Bank of Canada had found Salomon Brothers & Hutzler very helpful to them in creating a market for their paper. He realized, however, that we had certain commitments to the U.S. Treasury in this respect.

5. He agreed that another possibility would be to secure standby commitments from certain central banks who were in a strong position.

6. In the course of the discussion I explained to Governor Rasminsky that we would regard any buy-back provision as being subject to a genuine balance of payments or need on the part of the central bank concerned. They could not, for example, expect us to buy back their bonds merely because of a change in interest rates. Governor Rasminsky commented that such a provision might be difficult to police. I agreed and said that in the last resort we would have to trust the central banks to observe it.

*By
J. L. ...
representative
of ...*

7. I assured Governor Rasminsky that we were still thinking about these matters and had taken no firm position about them. We should certainly wish to consider very carefully the points he had made.

8. I have since discussed the matter with Mr. Patrick Reid who told me that he thought that Governor Rasminsky, in making his comments, had not had in mind the possibility that we would include a requirement of a genuine balance of payments or reserve need. Mr. Reid would continue to keep in touch with him and would let us know if the Governor had any further thoughts on the question.

c.c. Mr. McNamara
Mr. Knapp
Mr. Aldewereld
Mr. Friedman
Mr. Rotberg
Mr. Sacchetti

8

9-29

ANNUAL MEETING 1969

MEETINGS WITH GOVERNORS OF PART I COUNTRIES

CANADA

Mr. Edgar Benson, Minister of Finance, accompanied by Mr. Maurice Strong and Mr. Patrick Reid called on Mr. McNamara this afternoon at 2:30 p.m.

Mr. McNamara expressed his warm appreciation of the help which the Canadian Government had given to the World Bank Group both in purchasing two-year Bank bonds and in making an advance contribution to IDA. What they had done in this latter respect had been crucial and had touched off a series of advance contributions which had put very strong pressure on the U.S. Congress to act. This showed the important role which a country, such as Canada, could play in giving a lead to others.

Mr. Benson said that it had been possible for Canada to do this because their Parliamentary system was simpler than that of other countries.

Mr. McNamara then outlined the timetable which he had in mind for the negotiations leading to a Third Replenishment of IDA. His objective was to reach agreement between the Part I governments by June 30th 1970 and to get the arrangements approved by Parliaments so as to come into effect by July 1st 1971. Mr. Benson said that the Canadian Government had recently been reviewing their aid programme. They would strongly support the Third Replenishment of IDA at a substantially increased level. They would, in fact, give it priority in their aid programme. They would, however, like to look carefully at any change in operating procedures which might be proposed. It was also necessary to be realistic about the amount which could be secured. We might not get as much as \$1.0 billion but we should try to get close to that target.

Mr. McNamara agreed and said that there was no doubt that the Association and the recipient countries could effectively use amounts of that order. The difficulty was to get agreement amongst the donors. He hoped that the Canadian Government would agree to make strong representations to the other Part I countries through the diplomatic channel.

Mr. Benson thought that they might very well be able to do that. He repeated that the Canadian Government would not wish to see the World Bank, in its present role, undermined by anything which might be done in IDA.

Mr. McNamara agreed that there was an urgent need for a greater amount of concessional finance. He did not wish to push Bank lending beyond the proper limits set by the position of individual countries. He thought that the capital structure of the Bank itself might need strengthening which would be desirable to improve the debt equity ratio. The general increase in Fund quotas in which the Fund Board were being asked to report by the end of the year would provide an opportunity for studying this question. He did not wish to prejudge the results of the study but he suspected that he might wish to recommend an increase in both the called and uncalled capital of the Bank. The case for this would be based not on the need to increase the guarantee obligations of the member countries but on the need to provide the Bank with additional lendable funds. If there could be agreement that 20% of the increase in the Bank's subscribed capital should be called, this could be spread over a period, e.g. four years. The aim must be to replenish IDA so that it might be a proper complement to a strong Bank.

President has seen

Mr. McNamara then talked about the Bank's future borrowing. We had fortunately been able to build up the Bank's liquid assets in the past year. The raising of funds might not be so easy in the future. New instruments and new channels might be needed.

Mr. Benson agreed and referred to a recent government borrowing operation in Canada where investors had been given a choice between two-year bonds, five-year bonds and five-year bonds renewable at the option of the borrower to 17 years. It was interesting that this latter obligation had sold best.

Mr. Strong enquired about the follow-up of the Pearson Report. After Mr. McNamara had outlined the action being taken to promote discussion both at special conferences and in international agencies, Mr. Strong said that the Colombo Plan countries would be meeting in Canada in October and intended to give the Pearson Commission Report a high place on their agenda. The Canadian Government had thought about the possibility of calling a meeting of the heads of governments but had concluded that they should complete their review of the report first.

Mr. Benson said that the Canadian Government were still aiming at raising the flow of funds from Canada to developing countries to 1% of GNP. The achievement of this target might, however, take longer than they had originally hoped. They had problems of inflation in their economy.

The meeting concluded with a brief discussion of the prospects for aid in the United States. Mr. McNamara thought that the publication of the Pearson Report would be timely. The aid programme was in considerable jeopardy. There might not even be a Foreign Assistance Bill this year though aid could be carried on by means of a Continuing Resolution. The President would need a new basis of political support on which to operate. He might get this to some extent from the Report of the Peterson Commission.

D. H. F. Rickett
Vice President
September 29, 1969

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Par Refd 10/10/69

Parat I notes must not get involved in IDA funds which are
the prerogative of the Bd. Can have a exchange of views but no discussion
last time, at end, Bd felt a rubber stamp. I might have progress reports.
I asked him if I could say Canada proposed 16 per yr for 3rd Replen -
he will ok -

Canada believes BK lending rate should follow borrowing cost - Mexico^{etc}
can pay - in that case could drop priority limit for IDA 9 use
part of the 12 to fund for the Brazils & pull their borrowing rate
below the BK lending rate. - he appeared to believe a high (82) lending rate
would stimulate higher IDA Replen - I said no.
I stated:

- a. 400 in annual replenishment would not be approved again by a
No a reduction in Indian share.
- b. Ant's over 400 will not be approved w/o an increase in
share of CA, Africa, & Far East.
- c. at 12 per yr for IDA, could probably accomplish 6 without
a "3rd category" of BK type loans by blending; at 600 in
IDA replen. would be too low to accomplish 6 by
mixing a 3rd category with subsidized interest would
probably be required.

Re: 10/11/67 with Swedish Economic Services. E. Johnson ^(Edip for N) feel him to believe:
1. Govt should abpt sci. delegates at sub Director or Dep Fin Sec level
with less senior officials ^(Edip for N) who would heat issues from more
technical to basic policy

notes
trans
relative shapes
1. Govt could concentrate on tech. issues
supplementary financing
terms of IDA lending
refer on isolated basis
amt

govts, particularly US, won't be ready to talk airt's until later;
events may improve climate. Germans & Japanese don't
want to talk airt's until technical issues are out of the way.

2. [] to develop a formula to cost gen balance of payments safeguards in
general terms which would apply to any country meeting certain
criteria.

3. Under Fats approach the Etk throws responsibility on the
govt officials who are in the sky of set the agenda, the papers to be
prepared, the designation of the ch (at least the more sr. mtgs should
be chaired by a staff member).

4. The French would like to be involved at an early stage in discussion
of how to proceed.

5. Part of Canadian govt fears if start on the tech. issues may have to
give too much - but the Germans are particularly strong in wanting
to secure the technicalities;

6. A natural grouping to talk with: Pat, Lota, Karlson

7. Mtgs in Europe and Boston in Washington.

U N C L A S S I F I E D

FM CIDAOTT PR47157 NOV30/70

TO WSHDC PRIORITY

INFO IBRDWSHDC (ISBISTER) DE WSHDC

VISIT OF MR PAUL GERIN-LAJOIE

FOLLOWING FOR TOWE. FOLLOWING ARE BIOGRAPHICAL NOTES FOR YOUR INFO :

MR PAUL GERIN-LAJOIE, NEWLY APPOINTED PRESIDENT OF CIDA IS A FORMER MINISTER OF EDUCATION AND VICE-PRIMEMINISTER OF THE QUEBEC GOVT. MR GERIN-LAJOIE WAS BORN IN MTL ON FEB23/20. HE ATTENDED COLLEGE JEAN-DE BREBEUF IN MTL AND OBTAINED HIS LAW DEGREE AT THE UNIVERSITY OF MTL. HE WAS ADMITTED TO THE BAR OF THE PROVINCE OF QUEBEC IN 1942. A RHODES SCHOLAR, MR GERIN-LAJOIE RECEIVED HIS D. PHIL DEGREE IN CONSTITUTIONAL LAW FROM OXFORD UNIVERSITY IN 1948. HE HAS SINCE RECEIVED HONORARY DOCTORATE DEGREES FROM NUMEROUS UNIVERSITIES. IN 1952, HE WAS A MEMBER OF THE CDN DEL TO THE UNESCO CONFERENCE IN PARIS. PREVIOUSLY HE HAD REPRESENTED CDA AT YOUTH CONFERENCES IN ENGLAND, SPAIN AND CZECHO. A FORMER PRESIDENT OF THE JUNIOR BAR OF CDA, NOW THE YOUNG LAWYERS CONFERENCE, MR GERIN-LAJOIE PRACTISED LAW FROM THE TIME HE WAS ADMITTED TO THE BAR UNTIL HE BECAME A MEMBER OF THE QUEBEC GOVT IN 1960. HE WAS APPOINTED BY THE CDN GOVT AS LEGAL COUNSEL FOR NUMEROUS COMMISSIONS OF ENQUIRY. MR GERIN-LAJOIE HAS PUBLISHED A WELL-KNOWN STUDY ON CONSTITUTIONAL LAW AND NUMEROUS OTHER PUBLICATIONS ON ECONOMIC AND POLITICAL SUBJS. ELECTED IN 1960 TO THE QUEBEC LEGISLATIVE

...2

President has seen

PAGE TWO PR47157 UNCLAS

ASSEMBLY, NOW THE NATL ASSEMBLY, AS LIBERAL MEMBER FOR VAUDREUIL - SOULANGES, HE HAS REPRESENTED THAT RIDING UNTIL 1969. PREVIOUSLY, HE WAS SUCCESSIVELY SECTY AND CHAIRMAN OF THE POLITICAL COMMISSION OF THE QUEBEC LIBERAL PARTY.

APPOINTED MINISTER OF YOUTH IN THE LESAGE GOVT IN 1960, MR GERIN-LAJOIE HAS BEEN RESPONSIBLE FOR THE MAJOR REFORM OF EDUCATION IN QUEBEC. IN THE SPRING OF 1964, HE BECAME THE FIRST MINISTER OF THE NEWLY FORMED DEPT OF EDUCATION. HE WAS APPOINTED VICE-PRIME MINISTER OF THE PROVINCE IN THE FALL OF THE SAME YEAR.

IN HIS CAPACITY AS CABINET MINISTER, MR GERIN-LAJOIE HAS PROMOTED INNATL COOPERATION IN THE FIELD OF EDUCATION AND CULTURE. HE LAUNCHED THE FRANCE-QUEBEC EXCHANGES AND ENCOURAGED THE ACTIVE PARTICIPATION OF EDUCATORS IN THE CDN PROGRAM FOR INNATL DEVELOPMENT. HE WAS CHAIRMAN OF THE COMWEL EDUCATION CONFERENCE, IN 1964, AND HAS BEEN AMONG THE EARLY PROMOTERS OF THE IDEA OF SETTING UP AN ORGANIZATION FOR CULTURAL COOPERATION AMONG FRANCOPHONE COUNTRIES.

IN 1969 MR GERIN-LAJOIE WAS CHAIRMAN OF A MISSION OF THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) WHICH REVIEWED RESEARCH AND DEVELOPMENT POLICIES IN EDUCATION IN THE US.

IN JUN 1969 MR GERIN-LAJOIE RESIGNED HIS SEAT IN THE QUEBEC NATL ASSEMBLY TO BECOME VICE-CHAIRMAN OF THE PRICES AND INCOMES COMMISSION OF THE FEDERAL GOVT. PRIOR TO HIS APPOINTMENT, HE HAD PUBLISHED A NOTEWORTHY STUDY ON QUEBEC ECONOMIC PROBLEMS.

DURING 1969 AND 1970, MR GERIN-LAJOIE HAS BEEN A VISITING PROFESSOR IN THE FACULTY OF SOCIAL SCIENCES OF THE OTT UNIVERSITY AND IN THE

PAGE THREE PR47157 UNCLAS

FACULTY OF LAW OF THE UNIVERSITY OF MTL.

MR GERIN-LAJOIE IS MARRIED AND HAS FOUR CHILDREN.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: January 21, 1971

FROM: Claude M. Isbister

SUBJECT: Visit of Mr. Escott Reid to World Bank - week of January 25-29, 1971

Mr. Escott Reid will be spending the week of January 25-29 inclusive in Washington and using my offices as a base of operation. He is a former member of IBRD staff and a distinguished Canadian.

Mr. Reid informs me that he has been retained on contract by the President of the Canadian International Development Agency (CIDA) to assist and advise CIDA in the assessment and evaluation of various multilateral agencies and the programmes for which they are responsible and to evaluate the relationships of CIDA with these agencies. He has initiated a review of the World Bank Institutions for the purpose of making suggestions and proposals on how their effectiveness as development institutions might be increased.

As a consultant, Mr. Reid is not a member of the Canadian Public Service and he no longer represents the Government in any way. I understand that no decisions have been made to utilize his reports for purposes other than to inform CIDA itself. I suppose that any wider circulation of his reports or any governmental sponsorship of his views and recommendations would depend on review and appraisal of what he says.

I am not attempting to make appointments for Mr. Reid and leave this for him to do. I am simply informing senior officers so that they may consider the best way to assist him either themselves or through others who are well informed. I realize everyone is busy.

cc: Mr. J. Burke Knapp
Mr. Wm. Clark
Mr. R. Demuth
Mr. J. Adler
Mr. H. Chenery
Mr. Wm. Gaud
Mr. S. Aldewereld

C. M. Isbister



March 8, 1971

MEMORANDUM FOR THE RECORD

From: Denis Rickett

Subject: Discussion with Mr. Claude Isbister

Mr. Claude Isbister, Executive Director for Canada, came to see Mr. McNamara at 2:30 p.m. today. I also was present.

Mr. Isbister said that he would be visiting Ottawa this week and that it would be helpful to him to know Mr. McNamara's thinking about the prospects for the coming-into effect of the Third Replenishment.

Mr. McNamara said that his estimate of the situation based on talks that he had had with a number of people in the Administration was that the odds were 10 to 1 against the Congress passing the Third Replenishment legislation by 1st July 1971. Equally, he would be prepared to bet 10 to 1 that the legislation would have been passed by the end of the calendar year. This raised a serious problem for IDA. We had been planning to commit IDA funds at the rate of \$950 million in FY1972. On a strictly proportional basis this would imply commitments of \$475 million by December 31st next but experience showed that the rate of commitment was not so high in the first half of the fiscal year as in the second. Nevertheless, there would be a very substantial need for IDA funds. Taking into account projects in preparation before the fiscal year began, there might be projects amounting to as much as \$1.5 billion for which IDA credits could be committed were the funds available. These were all credits of the highest urgency as he would be prepared to demonstrate in detail.

Nevertheless, for reasons purely of internal politics, the United States Administration would not be able to get the legislation in time. What should we do in these circumstances? He recalled that during the Second Replenishment, the Canadian Government had played a vital part in giving a lead in the making of voluntary or advance contributions. He, himself, had spoken to Mr. Trudeau, Mr. Benson, and Mr. Mitchell Sharp. In response, the Canadian Government had agreed to make its whole contribution available and this had encouraged other governments, including the British, the Scandinavian, and the Netherlands Governments, to take similar action. The British had made it a condition that the German Government should follow suit and had taken diplomatic action to persuade them to do so.

In the result, some 14 governments out of the 17 Part I members, other than the U.S., had asked their Parliaments for authority to make advance contributions (Kuwait, South Africa, and France being the exceptions). The Belgian and Italian Parliaments had not acted in time but the remaining 12 governments had made some \$245 million available (Canada and Australia putting up the whole of their contribution). In this way IDA had been able to maintain its operations though not at a very satisfactory level.

He hoped that the Canadian Government, the British Government, and perhaps some others, would, in the first instance, make representations to the U.S. Administration through diplomatic channels and that, in reply, the President might give an undertaking that he would use all his authority and influence to get the legislation passed by the end of the calendar year. Part I members, other than the United States, might then agree to make the whole or some part of their contribution available in advance as they had done before.

Mr. Isbister said that he fully appreciated the importance of action to keep IDA effectively in business and would discuss the matter with the Department of Finance and with the Canadian Development Agency in Ottawa this week. He was not sure what the response would be. It might not be as encouraging as on the previous occasion perhaps because of a feeling that Canada should not always be expected to take action to compensate for the failure of the U.S. Congress to act in time. There might also be fears that the Congress would try to attach conditions to their approval of the legislation, such as a demand for balance of payments safeguards. Nevertheless, he would certainly pursue the matter vigorously in Ottawa and hoped to be able to report progress to Mr. McNamara on his return. Even if the Canadian Government were not willing on this occasion to make the whole of their contribution available in advance, they might make some proportion of it available, e.g. two out of the three contributions.

12

OFFICE MEMORANDUM

TO: Files

DATE: April 3, 1973

FROM: William Clark *ml.*SUBJECT: Canadian Trip Report

On Ash Wednesday, March 7 and Thursday March 8 Mr. McNamara visited Toronto. This should have been the prelude to a visit to Ottawa as the guest of the Finance Minister, who had, in the event, to attend an emergency Finance Ministers' Meeting in Paris. The Ottawa trip was therefore cancelled.

We were met at the airport by Gerin-Lajoie, President of CIDA, and Mr. and Mrs. Isbister, who gave a dinner for us in the Royal York Hotel. Also present were Mr. Earl Drake, Vice-President of CIDA, and Mr. Stephen Free.

In the course of dinner there was general discussion of public attitudes to Aid for Development.

After dinner Mr. McNamara had a private conversation with the Prime Minister, Mr. Trudeau, who had been addressing a meeting in Toronto. Later we were joined in Mr. Lajoie's room by Mr. Mitchell Sharp (Minister of External Affairs) and Mr. Gillespie (Minister of Trade and Commerce). The conversation with Mr. Sharp was mainly about non-Bank matters.

Mr. Gillespie raised the matter of Canadian suppliers' disappointment at their failure to get procurement orders on Bank/IDA projects. He said they felt that procedures were not clearly fair, and this was affecting the whole basis of support for Bank/IDA in Canada.

Mr. McNamara replied that he had asked Mr. Davidson Sommers to look into the matter with great care; to visit Canada and talk to officials and suppliers; and to review the Bank's procedures and their practice. He would report frankly whether there were faults, and whether they should be laid at the door of the Bank or the Canadians.

Mr. Gillespie expressed his gratitude, but stressed the urgency of the matter.

On Thursday morning Mr. McNamara met with the following

President has seen

Press men for an off-the-record talk:

Mr. Murray H. Chercover
President and Managing Director
CTV Television Network Ltd.,

Mr. Eugene Hallman
Vice-President and General Manager
English Services Division
Canadian Broadcasting Corporation

Mr. W.J. Carradine
Vice President
Southam Press Limited

Mr. James Cooper
President & Publisher
The Globe and Mail.

The Hon. Kenneth R. Thomson
Chairman and President
Thomson Newspapers Limited.

Mr. J. Lin Craig
Executive Vice-President
Maclean-Hunter Limited

Mr. Martin W. Goodman
Editor-in-Chief
Toronto Star

The discussion was brisk and showed how well informed and interested they were in development affairs, though less so about Bank affairs. Mr. Chercover of CTV expressed an interest in showing any films about development on his TV network.

At noon Mr. McNamara addressed a joint meeting of the Canadian and Empire Clubs (about 500 people). The speech was very well received and got good press coverage.

WDC1ark:sf

13

MEMORANDUM FOR THE RECORD

Visit of Mr. Jacques Gerin, Vice President of Bilateral Programs Branch of CIDA,
March 22, 1973

Mr. Gerin had recently visited both South and North Vietnam, although his visit in North Vietnam had lasted only eight hours. His impression was that North Vietnam will try to do its reconstruction work with the help of its present allies. No amounts of aid had been mentioned. They had not progressed beyond the matter of principles in their discussions with Mr. Kissinger on aid. North Vietnam is not interested in multilateral aid and quite cool to bilateral aid. Mr. Gerin had the impression that Canada had moved too fast in its advances to North Vietnam.

South Vietnam appeared not much more ready to usefully employ financial aid. The Saigon Government had mentioned a very high amount of \$4.7 billion over four years as forthcoming from the U.S. The South Vietnamese economy was seriously distorted from the war effort. Mr. McNamara said that the distortion was quite obvious and one sign was the large amount of food imports, but South Vietnam had potential strength in its infrastructure, such as roads and telecommunications.

Mr. Gerin said that Canada was also planning to provide assistance to Laos where they had only had a small amount of technical assistance to date.

Mr. McNamara asked about the "leopard spot" problem and its implications for the aid effort. Mr. Gerin said that the South Vietnamese Government is resettling refugees in Government-controlled areas, but much of the food in rural areas is in the hands of the Viet Cong. The Government says that virgin land is available for settlement and the Mekong Delta is a potential producer of large amounts of grain, although he had seen heavy fighting in the northern part of the Delta.

In response to Mr. McNamara's question, Mr. Gerin said that Canadian aid to South Vietnam would wait until the ICCS issue is settled, and that Mr. Sharp who had recently visited had not been able to make specific plans. Mr. Sharp had also seen Mr. Tanaka and Finance Minister Aichi in Japan, but no commitments had been made by Japan for aid. The Dutch had apparently placed 30 million guilders in a fund with the UN for South Vietnam. The South Vietnamese had not appeared interested in a consultative group. Mr. McNamara said he had had contradictory indications on that score.

Mr. McNamara had told his Directors in the Bank that the Bank would be willing to do what its member countries ask it to. Neither agencies nor their member states had yet given serious thought to what should be done. Certainly the World Bank would wish to act in cooperation AsDB. The World Bank has the technical capability which the AsDB does not. In response to Mr. Gerin's question, Mr. McNamara said that he thought it would not be feasible in the short term for the AsDB to be active in North Vietnam. Mr. Gerin said that he had heard a figure of \$400 million as the cost of physical reconstruction in North Vietnam.

AL
March 23, 1973

President has seen

14.

MEMORANDUM FOR THE RECORD

CANADA - Discussions with Part I Countries

Mr. John N. Turner, Minister of Finance for Canada, called on Mr. McNamara on Monday, September 24th, at 12 noon. Mr. Turner had with him Mr. Isbister and Mr. Earl Drake. I was also present.

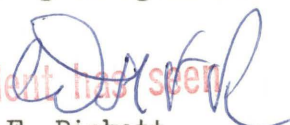
Mr. McNamara said that he wished to make an appeal to the Canadian Minister not to make any reduction in the Fourth Replenishment to the contribution of 6.26% which Canada had made to both the Second and the Third Replenishments. He realized Canada's basic share was lower but hoped that, as before, they would make a supplementary contribution.

The Canadian Minister produced a table comparing the percentage contributions of a number of countries with their share in the GNP of Part I countries and their share in identified procurement for IDA contracts. The figure of procurement for Canada at 1.1% was particularly unsatisfactory and he did not feel that he could defend to the Canadian public as high a contribution as had been proposed.

Mr. McNamara pointed out that the comparisons made in the table were incomplete in a number of respects and that without the Canadian contribution there was a danger that other countries would withdraw offers which they had made with the object of reaching 100% of the target. As regards the low level of Canadian procurement, this was to a large extent a matter of the competitive ability of Canadian industry. He was, however, prepared to assign a Bank staff member fulltime to an enquiry to establish how Bank procurement practices could be altered in such a way as to give Canadian manufacturers greater opportunities.

After some further discussion, the Minister said that he would make some increase in the Canadian offer of 6% but that he could not go the whole way to 6.26%. He would appeal to the German, British, and Netherlands representatives to make up the difference between them.

At a meeting of the Deputies that afternoon it was finally agreed that the Netherlands Government would increase its contribution still further from 2.82% to 2.95%, that the Canadian Government would raise its offer to 6.1%, and that the German Government would increase its contribution to 11.43%. This, together with the contribution of 5.6% announced by M. Giscard D'Estaing during the Annual Meeting discussion that morning and the Belgian agreement to contribute 1.7%, enabled the target to be reached.


President has seen
D. H. F. Rickett
Vice President

September 26, 1973

15.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: January 7, 1975

FROM: Claude M. Isbister

SUBJECT: Meeting between Mr. Turner and Mr. McNamara, December 18, 1974

Attached is the record prepared by Mr. Neufeld and Mr. Macpherson after the meeting between Mr. Turner and yourself on December 18, 1974.

In general this seems to me to be a good record and any deficiencies can be attributed to the circumstances in which the notes were taken.

I might just add a few comments of my own and I am sending a copy of this to Ottawa to be included in their file as well as yours.

1. Sorry about the spelling of your name.
2. In section 2 the prices give a misleading impression of the actual extent of the differences of view between the U.S. Treasury and the World Bank. My recollection is that your comments were consistent with the World Bank 477 paper which contrasted our 1980 forecast range of \$7.00 to \$8.65 (in 1974 prices) per barrel with the 1974 Persian Gulf average price of \$9.60. Whether this arose from one of your comments or from Canadian notes the difference is more substantial than the record says.
3. In section 3, on attitudes towards OPEC shares of IBRD capital, I think you attributed the 9 percent figure to IMF thinking about their quotas rather than to the Bank Board, in going on to say that OPEC should go to 15 percent of IBRD.
4. In section 5 I do not think you said that there are no difficulties about IMF/IBRD division of responsibility but only that this should be considered several months hence instead of now.
5. You explained the concept of the third window and this did not get into the record.

To my mind the meeting was valuable to the participants because of agreement and common purposes with respect to important matters and I do not consider the above details as detracting from this. If there are any points you wish amended, however, I shall be pleased to forward them to Ottawa.

Attachment

cc: Mr. J.A. Macpherson
Dept. of Finance, Ottawa

Claude

*1/8
File
C.M.I.*

1/2

December 20, 1974

TO: File

FROM: E.P. Neufeld

Subject: Meeting between Mr. Turner and Mr. MacNamara,
December 18, 1974

1. Attendance

Canadian officials accompanying Mr. Turner were Mr. Hood, Mr. Neufeld, Mr. Macpherson and Mr. Isbister and those accompanying Mr. MacNamara were Mr. H. Chenery and Mr. Burke Knapp of the World Bank.

2. Changes in U.S. Policy

Mr. Turner began by commenting on his concerns as Chairman of the Interim Committee, particularly recycling, and noted that U.S. positions on major issues seemed to be changing quickly.

Mr. Mac Namara immediately endorsed this. He noted that they had been at odds with the U.S. concerning the long-term equilibrium price of oil. The U.S. had argued that the situation was "not manageable" when the price was at \$8.65 a barrel, whereas the Bank had put the long-term equilibrium price in 1974 dollars at 7.00-8.65 a barrel. Because of this disagreement, he said they had been in basic disagreement with the U.S. over (a) recycling and (b) Bank lending programs. The penalty of the disagreement he noted was that it had foreclosed consideration of future policy needs.

However, he noted, beginning with the "extremely important" Kissinger speech, a really basic change in the U.S. views has emerged and it has come about as a consequence of a change in view on price. The U.S. now accepts the \$7.00-8.65 range.

MacNamara felt that the current price, in real terms, will decline but not enough to remove the problem.

3. OPEC Countries

Mr. Turner said he was concerned that the Kissinger approach smelled a bit of confrontation.

3. Cont'd

Mr. MacNamara said the U.S. has had a great reluctance to have anyone other than OPEC bear the risks -- and noted that the proposed U.S./OECD plan was an interesting first exception to this. He said U.S. had been very unwilling for the Bank to borrow from the OPEC countries and right up to last Tuesday it had been uncertain whether the U.S. would vote against the IBRD loan from Saudi Arabia for \$750 million. He noted that while the U.S. could be out-voted, they could veto use of their currency.

Mr. Turner noted the need to bring OPEC countries into the fold, giving them increased quotas and more official positions.

Mr. MacNamara agreed. Regarding the Bank, he noted present thought in the Board was to have their share of capital and voting go from 4% to 9%, while he thought it should go to 15%.

Mr. Turner noted that OPEC membership in the Interim Committee was not bad, including Iraq, Venezuela, Nigeria and Indonesia, with Iran dominant in the constituency headed by Morocco. Mr. MacNamara said the OPEC countries were not well represented in the Development Committee.

He said he hoped Mr. Witteveen and Mr. Turner could arrange to have a small meeting with OPEC representatives (not necessarily confined to members) in January in Washington.

Mr. Turner asked whether he should visit them and Mr. MacNamara replied that he should either visit them or meet them with Mr. Witteveen in Washington. He continued that Canada as an OECD country could play a vital role in bringing the two sides together. Mr. Turner said, "I think I'll go out there".

4. Recycling

Mr. Turner noted he agreed with the basic concepts of the U.S./OECD scheme but feared it would take long to establish and so expressed need for speedy introduction of the 1975 IMF Oil Facility. Mr. MacNamara replied, "That is absolutely required. That is the major agenda item for January". Mr. Turner agreed with Mr. MacNamara that the facility would need funds from OPEC countries.

4. Cont'd

Mr. Turner raised the question of the U.S. proposals for a Trust Fund and expressed the view that it seemed to him patronizing to expect that it would be funded by OPEC countries and that he was wondering how it would conflict with the role of the IBRD. Mr. MacNamara said that if you got a \$7 to \$10 billion oil facility, you would not need the Trust Fund. He pointed out that the oil facility dealt with the problem of lending to rich and poor countries by lending at commercial rates to the former and at subsidized rates to the latter; while the U.S. approach dealt with it by the utilization of Fund resources to lend to the rich and the establishment of the Trust Fund for the poor. Total amounts involved in the oil facility approach might well be the same as those involved in the U.S. approach. This was why he felt that if you got the \$7 to \$10 billion oil facility, you would not need the Trust Fund.

Mr. MacNamara then expressed the view that the Trust Fund was "a non-starter", principally because it was to be financed essentially by OPEC countries and without any equity cushion. He said we should not let "sand be thrown in our eyes" by the proposition for it certainly will not be introduced in time to help the MSA's. He repeated that the oil facility was where action must be taken.

With respect to subsidized interest rates in the oil facility, he said it was highly desirable, but not absolutely essential, in the short run, in view of current rates of inflation. He worried, however, that the whole approach involved using short-run solutions to solve long-run problems, since what the MSA's needed was very long-term capital. The MSA problem needs a 15-year perspective, he noted.

5. IMF/IBRD Division of Responsibility

Mr. Turner had raised this issue and Mr. MacNamara's reaction was that he saw no difficulties and in any case thought that that was a problem which should be put off into the future with all immediate attention directed toward the problem of adequate recycling facilities.

6. Foreign Aid and Development Committee

Mr. MacNamara pointed out that by normal criteria such as proportion of GNP, the OPEC countries had performances far superior to that of traditional donors. He noted that even if military aid is excluded, this still remains true. Indeed, their aid performance is better than the acceptable OECD standards these countries have not even met. Mr. MacNamara expressed the view that the situation is that the

OPEC countries are highly liquid and poor, while the west is illiquid and rich. This, he thought, meant that the west should provide less quantities of aid on softer terms, while OPEC countries should provide greater quantities of aid on harder terms.

He felt that OECD and OPEC countries should work much closer together on the aid problem and felt they should be convinced to do this through convincing them that it is in their interest to have a strong OECD group. He said there had yet been no discussion between the two groups on development needs and on their respective roles. He went on to note that Mr. VanLennep was hesitant because he was not certain that his constituents wanted initiatives of this kind. He also said that the DAC could help in this and that the IBRD would be happy to do staff work and to participate in any cooperative effort between the OECD and the OPEC countries, possibly through the DAC.

Mr. Turner asked how Mr. MacNamara saw the inter-relationships between the Interim Committee and the Development Committee. Mr. MacNamara said he saw no problems in this relationship, should the oil facility be established, but he indicated that he and Mr. Witteveen should get together to coordinate the borrowing that they wished to do in the Middle East. He saw no difficulty in getting such coordination. Mr. MacNamara thought that the Interim Committee would have a good meeting, but that he was concerned over the Development Committee because there had been no papers and no preparation. Mr. Chenery indicated that a work program paper would soon be ready. It was agreed both by Mr. MacNamara and Mr. Turner that the only thing that could come out of the Development Committee meeting is one that should be built up in a positive way to the public is the establishment of a work program. Mr. Chenery noted the difficulties that Mr. Costanzo has had in contacting the Chairman of the Development Committee and Mr. MacNamara said one difficulty with the Development Committee was that it had never been clear what it was supposed to do; but that now they should start afresh and concentrate on the plight of the poor countries.

7. SDR Aid Link

Mr. Turner asked Mr. MacNamara what they should do about the SDR Aid Link and the latter recommended that it should be put off and that this should be done by making it clear to the LDC's that they have a very big stake in the other issues that the IMF and the IBRD will be dealing with -- including the oil facility, the third window and expanding IBRD lending.

8. OPEC Representatives That it is Desirable To Meet

Mr. Turner inquired as to the individuals that he should meet and Mr. MacNamara, as noted earlier, indicated that he should try to meet them in Washington, and that he

should go beyond simply OPEC members. He included here Amuzegar, a brother of the Iranian oil minister, El Hamid (a Kuwaiti, whom he thought was one of the shrewdest financial experts among the OPEC countries), and he also said he should meet the Venezuelans, as well as the Saudis, if possible. Mr. MacNamara thought that if Mr. Turner went to the Middle East, he should go to Iran, Saudi Arabia, and Kuwait, but not to Libya; as well, he should go to Venezuela. Mr. Turner asked Mr. MacNamara to pass any additional ideas concerning representatives and countries on to him in succeeding weeks, which Mr. MacNamara said he would do.

16

MEMORANDUM FOR THE RECORD

Meeting with Finance Minister Turner of Canada, May 7, 1975

Present: Messrs. McNamara, Isbister from the Bank, and Messrs. Turner, Hood and Neufeld from the Ministry of Finance, Canada

Mr. Turner's trip to the Middle East. Mr. Turner referred to Mr. McNamara's cable to him of April 7, 1975, on OPEC Capital Increase, Third Window and Bank Borrowing Program. On the Capital Increase, he was concerned that the Bank had offered to increase OPEC voting power to 15% while an increase to only 10% was scheduled for the IMF. He said that this could bring him in a difficult situation as Chairman of the Interim Committee. Mr. McNamara promised that Mr. Nurick's paper on OPEC Capital Subscription would not be sent to the Board until after the Paris meeting of the Interim Committee. Mr. Turner said that Iran, Kuwait and Saudi Arabia supported the Third Window. He had been impressed by the aid effort of these countries and particularly with Mr. Jaroudi in the Arab Economic Development Fund. These countries also supported the Bank's Borrowing Program. Algeria, however, did not, since it was now a capital importer.

Agenda for the Interim Committee. Mr. Turner said that he would present the following preliminary agenda which had been agreed in principle with OPEC countries, France and the U.S. to Mr. Witteveen:

1. Quota review for submission to the Annual Meeting in September;
2. Outstanding issues on gold, floating, SDR, general account, and permanent council;
3. Financing of buffer stocks;
4. Review of oil facility;
5. World economic outlook; and
6. Other business.

Mr. McNamara said that he had heard that there was now tentative agreement among the Big Five on restitution of gold but not on what to do with the gold after restitution and on how to use the profits from gold sales. Mr. Turner said that Mr. Fourcade wanted a 5-10 year restitution period and allocation of some of the profits to schemes like the Third Window and 5IDA. Mr. McNamara said that, unless the profits would be used for aid, there would not be support for gold restitution among the LDCs. Mr. McNamara also said that he had presented commodity price stabilization financing to the Board six years ago as suggested by the Pearson Committee. There had then been opposition, particularly from the U.S. The Bank had recently been approached by the Tin Council for financing and this was under active consideration in the Bank. He would present a progress report on possible tin stock financing to the Development Committee. Mr. Turner said that it was not important whether it would be the IMF or the IBRD which would finance buffer stocks. In his opinion, discussions on buffer stock financing should be handled commodity-by-commodity and agreements should be obtained between producers and consumers. During his visit to Algeria, he had stressed that cartels would not work. The French were obviously interested in buffer stock financing. On this point Mr. McNamara added that, on French initiative, "organization of the markets for primary products" had been introduced as Item 8 on the Development Committee Agenda. Mr. Turner said that the subject had been discussed at the Commonwealth meeting and a paper would be prepared for the Commonwealth Finance Ministers' meeting in Guyana. He said that he expected a full debriefing from

Mr. Trudeau on what had happened at the Commonwealth meeting and he would attempt to send Mr. McNamara a copy. Mr. McNamara said that over-all the Agenda was very interesting and he would attempt to attend at least the second day of the Interim Committee meeting. Mr. Turner welcomed this and said that he would get observer status for Mr. McNamara.

Development Committee. Mr. McNamara said that the Third Window subsidy fund was in trouble. Australia, Iran, the United Arab Emirates, and Qatar could possibly be convinced to contribute. Algeria's support was important for political reasons but the key to success was Germany. Mr. McNamara urged Mr. Turner to do what he could to convince the Germans, in particular Mr. Apel. A contribution of \$20 million would be sufficient. Mr. Turner promised to do his best. Mr. McNamara said that Mr. Bedie needed support in his role as Chairman of the Development Committee. Mr. Turner and Mr. McNamara agreed to try to get together with Mr. Bedie and Mr. Witteveen on the evening of Wednesday, June 11, in Paris.

SB
May 8, 1975

MEMORANDUM FOR THE RECORD

Meeting with the Canadian Minister of Finance, December 10, 1975

Present: Mr. McNamara and Mr. Macdonald the Minister of Finance, Messrs. Robert Joyce, Assistant Deputy Minister Department of Finance, Edward Neufeld, Director International Finance Division Ministry of Finance, and William Hood, Assistant Deputy Minister of Finance, and Mr. Drake, Executive Director for Canada

Mr. Macdonald invited Mr. McNamara to come to Ottawa. Mr. McNamara said that he would be happy to come whenever it was convenient for the Canadian Government, but that most problems could be handled through Mr. Drake.

Mr. McNamara explained the plight of the developing countries. He showed figures for per capita growth rates for middle-income and low-income countries to Mr. Macdonald. He said that, although this was an economic problem, it had great political effects. The OECD countries had in part responded to this political challenge at the Special Session of the UN General Assembly. The Bank Group now needed refinancing for IBRD, IFC and IDA. In real terms this refinancing was small, but in financial terms it was quite large. The issues had by now been discussed among the donors and it was time that someone would take the leadership to get the increases through. In Mr. McNamara's opinion, Canada, the Netherlands, the Nordic countries and the U.K. could and should take the leadership. Mr. Macdonald asked what kind of leadership was required. Mr. McNamara said that, at this stage a statement of liberal positions and views with a sensitivity to the problem was the most important thing, along with a commitment to the several increases. Payments would not be due until about FY78. Mr. Macdonald said he was pleased to hear this since he was planning budget cuts of Can\$1.5 billion for the forthcoming fiscal year.

Mr. Macdonald enquired about the attitude of the U.S. with respect to the Zionism resolution and OPEC contributions to IDA. Mr. McNamara said that the Zionism resolution had created a bad mood in Congress but, in spite of this, the ADB capital increase had been approved by Congress. There was no firm U.S. decision with respect to OPEC contributions to IDA but it was clear that the IFAD and the suggested OPEC soft-loan fund would be competitors to IDA.

Mr. Macdonald asked whether the new emphasis on urban development would harm the Bank's rural development efforts. Mr. McNamara said that it would not.

Mr. Macdonald briefly explained the reasons for Canada's cut in bilateral aid to India.

The meeting lasted about 20 minutes.

cc: Mr. Cargill

SB
December 11, 1975

Points of Discussion with Heath, Barber, Brant, Schmidt, Daffer, Sharp

LDC'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. Publicly guaranteed debt now approx. 80% + debt service (73%) rising twice as fast as effort earnings: obviously can't continue

B. Concessional aid (ODA) is inadequate to support dev. level of growth we generally expect ODA approx. 7.2% but we need... Defect: affects poorest countries the most (particularly India, Pak + 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 credibility of the US govt to play a constructive role in formulating a plan for the 4th R. Increases the risk of final action contrary to the interests of both the LDC's + the DC's (particularly the UK with its interest in sub-4

III There are 3 results raised by the 4th R: total aid; donor sh; alloc to LDC. 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, Canada, Norway + Den; b) it would increase the probability of acceptable action on donor sh + alloc. (RB Brant's standing FRG + Norway + LDC don't cost anything)

I am quite prepared to agree that if the US sh is cut, the UK's involvement in a larger 4th R increases the justification for a red in UK sh. I am opposed to a red in LDC's sh in 4th R, but prepared for such a red. will be great; we should be thinking of a formula: consider the goal of 3rd R plus a lesser 2 on the movement of the 4th

* The ultimate decision on their to court likely to be influenced by the action of the...

IV Re aid to Dubochina

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

Attitude of others:

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

DRV unimpaired with aid & donors' eyes for supervision

Japan does not want to take a leading role

ADB states it is understaffed & not prepared for a leading role

UN: initial overtures rebuffed; now some interest - DRV would

consider a 10th presence; UN would wish to limit its role to relief & avoid recon. & dev.

There is a limit to the amount the DRV (& Dubochina) need & a donor should avoid overstating it.

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. 445

51-2nd) 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 D.M. Finance 5772

Int. (+ mil. aid) Amount.

	Int. (+ mil. aid)	Amount.
Japan	14.6	6.5
UK	5.5	6.0
FR	1.2	5.5
China	4.6	1.7
S. Africa	28.2	54.1
Phil	21.3	45.4
Spain	7.5	6.3
Sov. Union	1.8	2.0
<u>Total</u>	<u>84.7</u>	<u>105.5</u>

Similar to
problems in
JPL