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INDIA - PAKISTAN

(Three Wise Men Mission)

THE NEW YORK TIMES
THE NEW YORK HERALD TRIBUNE
THE WALL STREET JOURNAL
THE NEW YORK JOURNAL OF COMMERCE

THE WASHINGTON POST
THE WASHINGTON STAR
THE TIMES HERALD
THE WASHINGTON NEWS

THE TIMES (LONDON)
THE FINANCIAL TIMES

DEC. 9, 1957

AID PROPOSALS OF SIR O. FRANKS

NOTES AT THE STATE DEPARTMENT

FROM OUR OWN CORRESPONDENT

D-10 WASHINGTON, Dec. 8

The State Department is said to be studying a paper on foreign aid given recently to Mr. Herter by Sir Oliver Franks, the former British Ambassador to Washington and now chairman of Lloyds Bank. According to a report in the *New York Times* he proposes, among other things, that the United States should join as an equal partner with the other industrialized countries in an international committee to discuss questions of priority, and to agree on a general programme in which each nation would assume and coordinate its fair share of the burden.

He says that it is essential to work on a regional rather than a national basis, and to identify broad objectives.

POSSIBLE MEMBER

Sir Oliver Franks has been mentioned as a possible member of a small group which Mr. Black, the president of the World Bank, is considering sending to India, Pakistan, and perhaps other Asian countries for a first-hand look at conditions and discussion of long-term objectives. His views are supported in several quarters in Washington, but so far there is no sign of any action.

Our Diplomatic Correspondent writes:—

Sir Oliver Franks has not prepared a special paper for Mr. Herter. What happened was that he recently gave a talk, with others, to the committee for economic development, an organization of American business men, and he passed his notes on to Mr. Herter for his information. All the papers are to be published next year.

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DEC 12 1959

More Countries, More Help

As Secretary Herter prepares to leave for the NATO meetings, Under Secretary Dillon has been in Western Europe talking of the impending trade deadlock. It is plain by now that the Administration takes a dim view of the new European Free Trade Association, or Outer Seven, because of the rivalry with the Common Market. This country has a perfectly valid interest in discouraging new restrictions that might further compartmentalize Europe and reduce American efforts to reduce the balance of payments deficit. At the same time it would be unfortunate if concern over such mechanical problems were to obscure the larger need for more cooperative effort by the Western nations to help the underdeveloped countries.

Plainly that need means not only spreading the economic and military burden more equitably, but also insuring that the assistance to other countries is more efficiently organized. As the foreign policy report of the Rockefeller Brothers Fund has observed in respect of NATO, "The Atlantic community is involved with more than the welfare and defense of the Atlantic region; it can prosper only insofar as it is part of a functioning world order."

Sir Oliver Franks, chairman of Lloyds Bank and former British Ambassador in Washington, has proposed that the United States join in an international committee to define Western relationships with the underdeveloped countries. How well can the growth of the Western countries be forecast, and how much aid can be counted on? How can that best be focused? Obviously this is an important undertaking in coordination with the World Bank and similar agencies, and the broader the better.

Equally essential is to take a new look at the purpose of the help. Although it would be imprudent to cut back aid to a number of countries, it might be worth while to concentrate efforts upon a few where there is the prospects of early economic breakthrough. Here again, coordination is important.

NATO is an obvious nucleus for a larger economic effort. But logically the effort also ought to include many other prosperous potential contributors such as Sweden and Switzerland. The Organization of European Economic Cooperation would make a proper vehicle for such combined effort. The larger need also might serve as part of the bridge between the Common Market and the Free Trade Association. The immediate European trade difficulties must be resolved; but perhaps they can be better resolved if there is a broader purpose to serve as a stimulus for cooperation.

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DEC 11 1959

WORLD BANK HELP FOR ASIA PLANNED

Western Unit to Study Needs of India and Pakistan

Special to The New York Times.

WASHINGTON, Dec. 10—The International Bank for Reconstruction and Development is making plans to send observers from three countries to India and Pakistan to survey economic needs.

An official of the bank said tonight that Eugene R. Black, president of the World Bank, had been discussing the idea with experts from the United States, Britain and West Germany. These are the three Western countries that so far have taken the most active interest in financing development programs in India and Pakistan.

Sir Oliver Franks, former British Ambassador to the United States, has tentatively accepted an invitation to go. John J. McCloy, president of the Chase Manhattan Bank, is also reported under consideration. There is no word yet on who the West German representative will be.

The World Bank official said that the experts would go to "acquaint themselves with the needs of the two countries and would give their impressions" to Pakistani and Indian officials on ways of solving their economic problems.

The discussions have been under way for about a month, the bank official said, but no

Continued on Page 14, Column 6

WORLD BANK HELP FOR ASIA PLANNED

Continued From Page 1, Col. 8

final decisions have yet been reached.

In the past the World Bank has been a major source of funds for Pakistan and India. The bank has lent India about $600,000,000.

The decision to send observers to the two countries represents a new approach for the bank. In the past it has called formal sessions of Western countries to discuss ways to meet the economic needs of Asian nations.

Sir Oliver, now chairman of Lloyds Bank, was in the United States recently and presumably talked about the mission at bank headquarters then.

He also left a paper with Secretary of State Christian A. Herter that is receiving study by the Administration. It is an analysis of what he called the "North-South" problem. By that he meant the problem of the relationships of the industrialized nations of the North to the under-developed and developing nations to the South.

His conclusion was: "If twelve years ago the balance of the world turned on the recovery of Western Europe, now it turns on a right relationship of the industrial north of the globe to the developing south."

He proposed that the United States join as an equal partner with the other industrialized countries in an international committee to guide these relationships. The purpose would be to define the magnitude of the problem, to discuss questions of priority and possibly to agree on a general program in which each nation would assume and coordinate a fair share of the burden.

U. S. Studies Briton's Proposal For Revision of World Aid Set-Up

C11

By JAMES RESTON 1/8
Special to The New York Times.

WASHINGTON, Dec. 7—When Sir Oliver Franks, former British Ambassador in Washington and now chairman of Lloyds Bank, was in this country a few days ago, he left a paper with Secretary of State Christian A. Herter that is being carefully studied by the Administration.

It is an analysis of what he called not the "East-West" problem but the "North-South" problem: the problem of the relationships of the industrialized nations of the north to the under-developed and developing nations to the south.

His conclusion was: "If twelve years ago the balance of the world turned on the recovery of Western Europe, now it turns on a right relationship of the industrial north of the globe to the developing south."

His views command attention here because Sir Oliver was one of the men who helped to organize the European response to the Marshall Plan. He is respected by both Republicans and Democrats.

His proposal was—and this is what is now under consideration—that the United States join as an equal partner with the other industrialized countries in an international committee to guide these relationships: to define the magnitude of the problem, to discuss questions of priority and programming and, if possible, to agree on a general program in which each nation would assume and coordinate its fair share of the burden.

Sir Oliver first presented his paper privately to the Committee on Economic Development in New York Nov. 19. He was asked about it when he arrived here over the Thanksgiving holidays, and it has since been widely circulated in both the State and Treasury Departments.

He defined the problem of the under-developed nations as follows:

"They face a vicious circle. You know what it is. Low living standards and free, broadly democratic societies cannot produce sufficient saving for capital. This circle can be broken in one of two ways. It can be broken by tyranny, which, by enforcing hardships on the people and holding down their standard of living, forces the savings for rapid development; or it can be broken by capital from outside which gives a free society the chance both to develop and to remain free.

"This vicious circle for country after country will be broken one way or the other in coming years. We have already had evidence in the Middle East how real and how urgent these problems are. I do not understate when I say that the world balance will shift decisively against us if we fail."

Sir Oliver said this was why he thought it necessary to establish a new forum—"as informal as you like"—to provide a basis for the political decisions the industrialized nations should take to find answers to the new north-south questions.

"What are these questions?" he asked.

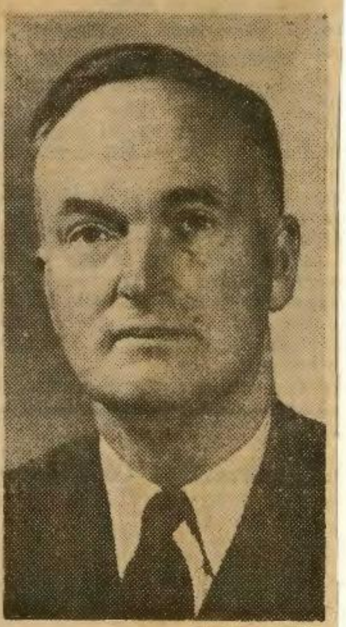
"There is the question of how much the industrialized north can channel into the developing countries.

"There are the questions of whether the necessary growth and economic stability in the industrialized countries can be sufficiently foreseen and provided for to make a given scale of constructive help possible.

"There are questions of appropriate shares to be borne by the different nations of the industrialized Atlantic world. There may be questions of priority and order. There are certainly issues of coordination and programming.

"At present, coordination between us is quite inadequate. There is no general program. There is instead a pronounced lack of continuity."

The former British Ambassador to the United States indicated that what he had in mind as a forum for discussing these things was something like the Organization for European Economic Cooperation. He praised this for providing a means of regular, searching, intimate discussion of general economic problems of common concern to member countries, but pointed out that neither the United States nor Canada was a full member.



Camera Press-Pix
Sir Oliver Franks

His main point was that the north-south problem, like the East-West problem, had to be worked out on a broad regional rather than a nation basis. The first task is to identify what the broad objectives of the free nations of Europe and North America should be, and to provide a forum where they could be discussed.

"We shall run into real difficulties about the new economic problems which confront us in the broad relationships between Western Europe and the United States," he concluded, "unless we are prepared to look at these issues and resolve them in the light of the wider objectives which we must pursue together.

"Growth with stability is a necessity for the survival and success of the Western world. So is a right answer to our relationship to the developing peoples and a proper allocation of our resources to this cause.

"If we look at our worries in terms of these broad aims and work out our answers together, them we have a guiding thread to prevent us going wrong.

"This goes for the future of the European Economic Community. It goes equally for the European free-trade area, and for the destiny of the larger group which I hope will result from these two.

"It applies just as strongly to the choice of methods to deal with the American deficit on the balance of payments.

"This is why I have put first of all the identification of our common objectives and,, since they are new, at least in emphasis and priority, the need for an informal means by which our governments can argue these things out afresh and harmonize our approach to the new jobs we have to do in the world."

All these ideas have their supporters and opponents within the Eisenhower Administration. The point is that Sir Oliver has stated the issue in vivid terms and given some specific direction to the debate.

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DEC. 7, 1959

BANKERS TO VISIT INDIA?

From Our U.S. Correspondent

NEW YORK, Dec. 6.

The World Bank has been discussing with leading private bankers in the U.S., Britain and Western Europe the possibility of their visiting India to make a first-hand assessment of the country's economic and financial situation, concentrating primarily on the need for development capital.

It is understood that discussions have taken place informally between Mr. Eugene Black, president of the bank, and individual bankers but that it is not decided who will make the visit or when it will occur.

There has been some pressure in the U.S. Senate for inter-governmental discussions on aid to India. But officials in Washington believe that an informal tour of the nature suggested, involving only a small group, could prove more useful.

Five-year Plan

India's principal creditors among Governments have, in fact, held meetings under the auspices of the World Bank to ensure that adequate foreign aid is made available to see the second Five-Year Plan through to its end in March, 1961. At the last such meeting in March this year, needs until March, 1960, were apparently the main subject of discussion. If a further meeting were thought necessary it would presumably take place before the final year of the plan begins next April.

Week-end reports mentioned as possible members of the projected mission to India Mr. McCloy, chairman of the Chase Manhattan Bank of New York; Dr. Abs, head of the Deutsche Bank; and Sir Oliver Franks, chairman of Lloyds Bank.

However, Sir Oliver to THE FINANCIAL TIMES last night: "I have certainly not been invited, nor have I approached my Board for permission to go."

Sir Oliver said he did not think anything had been finalised, but it was impossible to say that in three months' time something might not have been decided on.

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3 BANKERS NAMED TO ASIAN MISSION

Franks, Dodge and Abs Will Make a Study of Indian, Pakistani Economies

By E. W. KENWORTHY
Special to The New York Times.

WASHINGTON, Dec. 19—The International Bank for Reconstruction Aid Development announced today that the heads of three large banks in the United States, Britain and West Germany would undertake a study early next year of the economic problems of India and Pakistan.

The three bankers are Sir Oliver Franks, chairman of Clyde Bank, Ltd., of London and former Ambassador to the United States; Joseph M. Dodge, chairman of the Detroit Bank and Trust Company, and Dr. Herman J. Abs, chairman of the Deutsche Bank of Frankfurt. They are planning to make the trip during next February and March.

In announcing that the three bankers had agreed to undertake the mission, Eugene R. Black, president of the World Bank, said that there was a need in the industrially developed countries to understand the problems confronting the less developed areas of the world.

Mr. Black said he was convinced that such understanding would be furthered by visits to these areas by prominent members of the business and financial communities in the industrialized nations.

Dillon Is 'Delighted'

Douglas Dillon, acting Secretary of State, said he was "delighted" by the announcement and expressed confidence that the insight that Mr. Dodge would derive from the trip "will make an important contribution to discussions in this country regarding the problems of India and Pakistan."

Mr. Dillon also paid tribute to Senator John F. Kennedy, Democrat of Massachusetts, and John Sherman Cooper, Republican of Kentucky, who have been campaigning over the last two years for a concerted and sustained program of aid to India by the industrialized nations.

Mr. Dillon recalled that last Sept. 10 the Senate had approved a resolution sponsored by Senators Kennedy and Cooper that called for a "free world mission" to canvass India's economic needs. Mr. Black and Sir Oliver have been discussing such a mission for some time.

Sir Oliver was an Oxford professor of moral philosophy who was thrust into public life by World War II. During the war he was credited with a brilliant job at the Ministry of Suwpply. After the war he was called back to help organize the Organization for European Economic Cooperation.

According to informed sources, Sir Oliver had hoped that Jean Monnet would also be a member of the mission sponsored by the World Bank.

M. Monnet is the French economist who fathered the idea of European unity, which found its first embodiment in the six-nation European Coal and Steel Community. He was that body's first president.

Anderson Opposed Monnet

According to reports here, President Charles de Gaulle and Mr. Dillon also wanted M. Monnet on the Franks mission. However, it is understood that this was opposed by Robert B. Anderson, Secretary of the Treasury, who is said to have felt that M. Monnet was too much of a visionary.

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DEC 21 1959

World Bank Mission Set

Western Aid to India Seen 'Sure'

1-11

LONDON: The visit to India next year of three experts appointed by the World Bank is expected in London to lead to Western Assurances of financial aid for the third five-year plan.

The bankers, Sir Oliver Franks, chairman of Lloyds Bank of London, Dr. Hermann Abs, chairman of Frankfurt's Deutsche Bank, and Joseph M. Dodge, chairman of the Detroit Bank and former U.S. Budget Didector, will make the study next February and March.

The border conflict with China has dramatized in Western countries the importance of maintaining the pace of India's development. This has been underlined by the probability that from now on India may have to step up purely military expenditure by a substantial amount.

Gap Seen Wide

Financial experts in Europe and America agree that it is difficult to see how India's still low taxable capacity be made to yield sufficient revenue to tackle the task of providing guns as well as butter, which Indian Prime Minister Nehru now sees as the long-term objective of Indian industry.

Overseas finance to bridge the gap between India's resources and requirements under the current five-year plan has been provided on a scale that now seems adequate to meet demands until March, 1960. Further consultations have been arranged to cover the subsequent year in the light of the developing situation. But it is pointed out in Western capitals that, so far, the aid program to India has suffered from being largely improvised and haphazard.

Although there has been frequent criticism of order of priorities set under the current Indian plan with the methods and machinery being used to carry out particular projects, sufficient foreign currency to avert disaster has in fact been forthcoming. It is believed that any increase in the amount of financial assistance channeled into India will have to be combined with more detailed planning of the details of future investment.

Foreign organizations, will now expect to be consulted at a much earlier stage in the elaboration of plans, instead of, as they say of past events, being confronted with projects for which money was requested irrespective of their views on the soundness of the planning.

West to Press Views

Whether this will involve any pressure on India to allow a larger role for private enterprise under future investment plans remains to be seen, but it is throught to be virtually certain that the third five-year plan of 1961 to 1966 will take Western views more fully into account.

The Federation of Indian Chambers of Commerce has already recommended that the share of private enterprise in the new plan be raised from 39 to 45 per cent. But some Western observers disagree with the allocation of resources envisaged by the federation.

They believe that 40 per cent is probably too high for industry and mining whereas 22 per cent for power and communications may well be insufficient in spite of the heavy spending on electricity and railways in the current plan.

Besides attempting to co-ordinate developments plans with the flow of funds likely to be available, the World Bank experts will also need to match the resources available in the lending countries with India's needs.

The whole question of typing loans from a particular country with purchases from it will be re-examined.

This is true despite the fact that the appropriation by the U.S. Development Loan Fund, a large part of the increase in which is said to be earmarked for Indian needs, has survived a determined attempt to reduce it by the American Treasury only because the tying of purchases to U.S. equipment to American loans was written into it.

Seek Maximum Effect

Thus, while overseas financial experts will expect a greater say in determining the general lines of Indian development after 1961, this is not expected to take the form of prescribing that goods must be bought from particular countries, so much as attempting to insure that every rupee of aid is directed to the place where it will have the maximum effect.

From 1960 onwards West European nations are expected to play a greater role in offering aid to India and other developing countries, and it is hopped in London that this increase will more than offset any decline in American assistance.

A2 Post 12/20

World Bank Experts To Make India Study

United Press International

The World Bank announced yesterday it will send three of the Western's world's best known bankers to India and Pakistan early next year to assess the staggering economic problems of their 500-million people.

Sir Oliver Franks, chairman of Lloyds Bank of London, Hermann Abs, chairman of Frankfurt's ~~Deutche~~ Bank, and Joseph M. Dodge, chairman of the Detroit Bank and former U. S. budget director, will make the study next February and March.

The U. S. Government immediately applauded the bank's initiative.

Under Secretary of State C. Douglas Dillon recalled in a statement that the idea of such a mission was advanced in a resolution sponsored by Sens. John F. Kennedy (D-Mass.) and John Sherman Cooper (R-Ky.) last September. A similar resolution was sponsored in the House by Reps. Chester Bowles (D-Conn.), James G. Fulton (R-Pa.) and Chester E. Merrow (R-N. H.).

President Eisenhower and other Western leaders have called the struggle of South Asia's million to climb out of grinding poverty one of the most challenging developments of the coming decade.

American sponsors of massive aid to the area contend that the world balance between communism and freer societies may be determined by the comparison of economic progress achieved in India versus the results of Communist methods in China.

In a joint statement, Kennedy and Cooper said they were "delighted by the initiative taken by the bank to carry through the concept of the Senate resolution."

U. S. officials said they hoped the participation of Franks and Abs in the mission would stimulate greater Western European interest in aid and loans.

Development programs planned by India and Pakistan alone require raising about $1.3 billion a year in foreign aid, loans and investment until they reach a hoped-for stage of self-generating economic expansion.

President Eugene R. Black of the World Bank, in announcing the mission, said the bankers would "acquaint themselves with the current and planned development programs in the two countries."

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DEC 20 1959

P-A 20

India, Pakistan Study Is Set

By the Associated Press

World Bank President Eugene R. Black announced yesterday that three financial leaders of Great Britain, Germany and the United States will visit India and Pakistan next February and March.

The three—who will make the trip at his suggestion—are Sir Oliver Franks of Lloyds Bank, Ltd., London; Dr. Hermann Abs, chairman of the Deutsche Bank, Frankfurt; and Joseph M. Dodge of the Detroit Bank and Trust Co.

The object of the visit, a World Bank announcement said, will be "to study economic conditions there, and to acquaint themselves with the current and planned development programs in the two countries."

Mr. Black's suggestion to the three was made following consultations with the governments of India and Pakistan, who welcomed the idea, the announcement said.

Undersecretary of State C. Douglas Dillon issued a statement expressing delight that Mr. Abs, Sir Oliver and Mr. Dodge would make the trip.

"The United States Government greatly welcomes this initiative," Mr. Dilon said, pointing out that this follows a resolution adopted by the Senate this year.

"I am sure that the viewpoints Mr. Dodge will hear and the insight he will derive from his trip will make an important contribution to discussions in this country regarding the economic problems of India and Pakistan," Mr. Dillon said.

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DEC. 21, 1959

(9)

Financial Times, London
December 21, 1959

WESTERN BANKERS TO VISIT INDIA

WASHINGTON, Dec. 20.

Sir Oliver Franks, chairman of Lloyds Bank, together with prominent U.S. and West German bankers, is to visit India and Pakistan next year to study their economic needs, at the suggestion of Mr. Eugene Black, president of the World Bank.

Announcing this here, the World Bank said Sir Oliver would be accompanied by Mr. Joseph M. Dodge, chairman of the Detroit Bank and Trust Company, and Dr. Herman Abs, of the Deutsche Bank.

The three bankers would visit India and Pakistan in February and March "to study economic conditions there and to acquaint themselves with the current and planned development programmes in the two countries."

Understanding

The World Bank commented: "Mr. Black said he was convinced of the need for wider understanding in the industrially developed countries of the problems confronting the less developed areas of the world and expressed the belief that visits such as this by prominent members of the business and financial communities of the industrial countries could make an important contribution to that end.

"Mr. Black's suggestion was made after consultations with the Governments of India and Pakistan, who have welcomed the idea and will give the members of the group every opportunity to learn about the major issues involved in the economic development of their countries."

Mr. Dillon, Acting U.S. Secretary of State, said he was delighted with this announcement by the World Bank. He recently visited Western Europe for discussions on trade problems and means of increasing the flow of capital to underdeveloped areas.

The U.S. has called on Western Europe to step up this aid in view of its increasing prosperity.—Reuter.

Press Intelligence, Inc.
WASHINGTON 5, D.C.

Mission to India

YONKERS (N.Y.)
HERALD STATESMAN
Circ.: e. 40,892

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Need For Aid Seen Free-World Problem

By WILLIAM MCGAFFIN
Chicago Daily News Service

WASHINGTON — The coming year may well see the start of a new plan for dispensing foreign aid.

In recent months, U. S. spokesmen on various levels have been talking about the need for an expanded program. They see it as a co-operative effort, enlisting the co-operation of all the prosperous nations of the free world.

These spokesmen are rejoicing now over the support they have just received from a distinguished Briton, Sir Oliver Franks.

Sir Oliver is now chairman of Lloyds Bank. He used to be British Ambassador to Washington. He played an important postwar role in helping implement the Marshal Plan in Europe. Now, he is concerned with the need for the industrial "have" nations to help the "have not" to their feet.

In a recent speech deliver to the committee on economic development in New York, he summed up the problem in such a fresh and succinct manner that official Washington is still applauding.

Incidentally, Sir Oliver is expected to be named shortly as a member of a three-man committee that the World Bank is sending to India to study that countrys needs and make recommendations for meeting them.

In his recent New York speech, Sir Oliver stressed the need for the U. S. to join with other industrialized nations of "the North" to meet the development problems of the underdeveloped nations of "the South."

The free world's problem, said Sir Oliver, is "North-South" rather than "East-West."

This echoed, in perhaps a more striking manner, the observation President Eisenhower made during his television appearance with British Prime Minister Harold Macmillan a few months ago. The president said at that time that even greater than the problem of Communism is the problem of the underdeveloped nations.

Sir Oliver observed that the underdeveloped nations would pull themselves up, either with outside aid of by tyranny and hardships imposed on their peoples.

He painted the challenge to the free nations in these vivid terms: "The world balance will shift decisively against us if we fail." Growth with stability, he added "is a necessity for the survival and success of the Western world."

The problem, he noted, is that foreign aid has not yet been organized as it has to be if it is to cope with the burden it faces. He proposed that the U. S. join other industrialized nations in an international effort.

This is welcome news, indeed, to those Americans who have recently been urging our allies, now prosperous again, to take over their share of the aid burden.

Sir Oliver also suggested that an organization needs to be set up to formulate prorgams, priorities and the appropriate contributions for contributing nations. He indicated that what he had in mind was something like the organization for European economic cooperation, only expanded to cope with world problems.

This echoes somewhat the proposals made here last month at a meeting of the NATO parliamentarians conference. Sen. Jacob K. Javits (R.,N. Y.), a leading member of this group, is working actively to implement these proposals. He has also spurred the U. S. state department to a study of the possibilities of an international partnership on aid.

New Loan Procedure

A couple of months before this, the world bank held a meeting and set in motion a new subsidiary, the international development association, whose function will be to make soft loans to underdeveloped countries.

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LOUISVILLE (Ky.)
COURIER-JOURNAL

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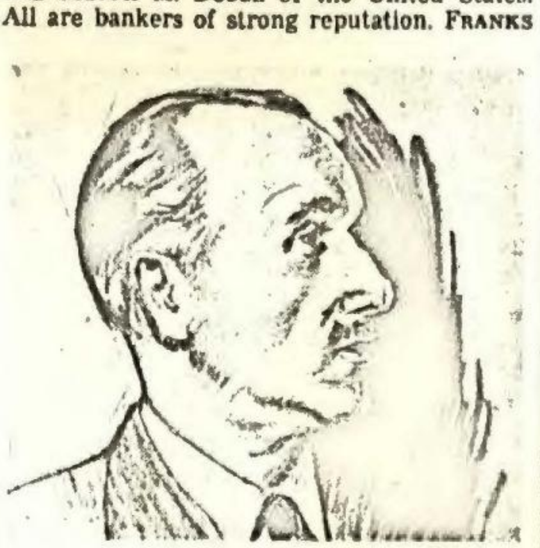
Date: [illegible] 6 195[illegible]

Not A Visionary, But A Needed Man Of Vision

THE NEW YORK TIMES reports that France's JEAN MONNET was proposed for membership on the World Bank commission to study the economic problems of India and Pakistan. It further indicates that he was vetoed by U. S. Secretary of the Treasury ROBERT B. ANDERSON. His reported reason: "too visionary."

We have no quarrel with the final make-up of the commission—Sir OLIVER FRANKS of Great Britain, Dr. HERMAN ABS of Germany, and JOSEPH M. DODGE of the United States. All are bankers of strong reputation. FRANKS



Jean Monnet

especially seems an ideal chairman for a group with such a mission.

Two things appear worth noting, however, about the elimination of Mr. MONNET. One is the power wielded by Secretary ANDERSON in matters bearing on American foreign policy, which is ostensibly outside his field. The other is the odd nature of the complaint against the French economist.

Mr. MONNET was born 71 years ago in the town of Cognac, and inherited a family brandy business which he greatly expanded. He was a financial boy-wonder at the age of 27, when he organized the Franco-British Allied Executive Council for World War I purchasing. Later he performed financial services for the League of Nations, and made a success in international banking. It was his MONNET Plan after World War II for re-equipping and modernizing French industry which became the blueprint for the recovery program in France under the MARSHALL Plan.

More recently, MONNET sparked the formation of the European Coal and Steel Community, the European Atomic Energy Community, and the European Common Market. In all these enterprises he was fighting the dead weight of ancient hatreds and national rivalries, but all are now safely off the ground. It has been his special genius to get old enemies to work together in a spirit of new understanding, with the present close harmony between France and Germany as a shining example. He would have seemed to have something unique to offer to the task of reducing friction between India and Pakistan.

JEAN MONNET has been called with sound reason "the first citizen of Europe." If he is a visionary, our groping modern world needs more such men of vision.

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THE ECONOMIST

December 26, 1959

HELPING INDIA

Three Wise Bankers

The World Bank has arranged for three bankers to visit India in February or March to make a preliminary study of India's third five year plan, which begins in the spring of 1961. They are Mr Joseph Dodge, chairman of the Detroit Bank and Trust company and President Eisenhower's first director of the budget bureau; Sir Oliver Franks, chairman of Lloyds Bank; and Dr Hermann Abs, chairman of the Deutsche Bank who has been the leading figure in restoring Germany's international financial contacts. Plainly this is not a team of bankers in the ordinary sense: each member has a wide international experience and each is close to the centres of decision in his own country. This is important, for while the team will be reporting to the World Bank, the whole Indian operation depends for its success on large contributions from governments. The bankers will also be visiting Pakistan.

The mission's main task will probably be to introduce a sense of practical reality into India's calculations of its uncovered external deficit for the period of the plan—a figure of $1 billion a year has been loosely mentioned from the Indian side. If India can frame its requirements in practical magnitudes that the West can consider, it would certainly earn some advance assurance in principle that the West will do its utmost to find the money. After the ground has been tested by the three wise men of Asia, the World Bank may send out a full technical mission, to examine particular projects as well as the wider problem of India's total financial needs.

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CORRESPONDENT

them. For the majority of teachers and parents it is still an embarrassing predicament. Most of the twenty-year-olds whom your correspondent has asked about their instruction in contemporary history have replied that they have been told little at home but much at school.

Who are the teachers? Who appoints them? These are issues just as important as the precise number of lines chronicling the gas chambers, if not more important. A review of the teaching of history and the recruitment of teachers is being newly demanded from many quarters. It is too early yet to predict whether much will come of it. There are always those—and Dr Adenauer is one of them—who argue that the kind of impenitent Nazi who still exercises a more or less covert influence in the schools, lawcourts, and civil services, is small fry, can do little harm in the time left for him to do it, and is best ignored.

There are some who suppose that the louts who do the daubing—the kind of pugnacious misfits that look for mischief in every city in the world—are incited directly or indirectly by the "neo-Nazis." This is probable. It is possible to compile a horrid catalogue of crudely nationalist right-wing groups that have popped up in the German Federal Republic since 1949. All still in the category of the weird rather than the dangerous, they are the muddled spiritual homes of a small minority of surviving petty Nazis who will not admit error, and of young persons, many of them students, who find the undiluted waters of the old German nationalist spring more exhilarating than the internationalist mixtures of Paris, Brussels, Strasbourg, and Luxemburg. A few of these grotesque reversions seem to be congenitally anti-semitic, despite their protestations to the contrary.

It can be confidently said that none of these unsavoury groups or organisations, not even the sizeable German Reich Party, counts for much in present-day Germany. Important political movements can always be felt in a country's air. Aggressive nationalism, neo-nazism, and anti-semitism are not features determining the climate of the West German state. It is always possible that in adverse circumstances the old ghosts might occupy a dangerous number of living bodies. The rash that started at Cologne will have served a good purpose if it has reminded the community of such a possibility and of its duty to keep a watch on the political incorrigibles.

Wise Men for Trade and Aid

FROM OUR SPECIAL CORRESPONDENT

Paris, Thursday.

WHEN nations disagree on great issues like the European trading problem, one diplomatic means of keeping the peace is to talk about procedure. The western powers at their summit meeting last month could hardly be expected to reach agreement on their economic differences; instead they called the thirteen-nation Atlantic conference which met on Tuesday and Wednesday. That meeting has in its turn talked, not about the issues, but about how and when and if the issues should be studied later on.

The differences underlying this esoteric diplomatic game hardly

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need emphasis. When Mr Dillon, the American under-secretary of state, toured Europe last month it became pretty plain that there were two camps, each with separate objectives and views on how to approach the trade problem. Since the talks on a free trade area in the Organisation for European Economic Co-operation broke down, the European Commission has been pushing the view that the issue between the Six and Seven could only be solved in a world-wide or Atlantic context. That view has been given an importance far beyond the expectations of its first exponents by America's balance of payments difficulties. The United States, once sponsor of the common market and an acquiescent spectator of the talks on a European free trade area, is now far more interested in the relations of the European groups with itself than with each other. And in the conference this week there has been not merely a close identity of views but a working partnership between the United States and the commission of the Six.

By contrast, the Swiss, Swedes and British have made it abundantly clear that they regard the world-wide or Atlantic approach as an evasion of the central problem of European trade. Europe, the Swedish delegate told the meeting, would hardly be able to find money to aid the underdeveloped world if it was waging a trade war within itself. The conference turned into a struggle between the "European" approach of the Seven and the "world-wide" philosophy of the United States and the Six.

The initiative lay inevitably with the Americans; they after all, had inspired the meeting. The Six were happy to let Mr Dillon put their case. In his opening speech, he went out of his way to soothe the worried Seven by talking of the dangers of the split in Europe, but his practical proposals remained more congenial to the Six. He suggested, first, that the main western creditor nations should form a group to co-ordinate their aid efforts; second, that a group of three independent experts be formed to make suggestions on the future of an altered OEEC with the United States and Canada included; and, third, that there should be another meeting of the thirteen-nation Atlantic group to discuss world trade problems. The terms of reference of such a meeting would cover the problem of the Six and Seven in only the loosest way. The Seven were particularly alarmed by Mr Dillon's phrase, "a successor to OEEC," apparently implying the death of that body.

MR DILLON'S position was not to go unchallenged. Indeed the remainder of the conference was largely concerned with an attempt by the Seven to get the European problem back into the centre of the stage, with the Swiss and Swedish terriers yapping loudly at the heels of the United States. It is a tribute to the tenacity of the Seven and to American patience and magnanimity that the Seven had a large measure of tactical success. Argument centred on two issues: first, the nature of the body that would discuss trade problems and its terms of reference; second, the mandate of the body to discuss the future of OEEC.

Only the United States proposal on aid aroused little controversy. In the discussion on the trade group the British succeeded, rather to their own surprise, in getting rid of the conference of thirteen and restoring responsibility to the twenty governments (eighteen European plus the United States and Canada) that are members or associates of OEEC; responsibility, however, was not formally given to OEEC as an organisation. In the trade discussions relations between the Six and Seven were to be "examined" with a high priority. The resolution on OEEC was adorned with tributes to that organisation. The experts (four, not three) who were to make suggestions on its future were not to be independent "wise men" who might produce dangerous new ideas, but safe officials who would report to the same twenty governments. What looked at first like a rearguard action by the Seven over the dying body of OEEC and the corpse of the free trade area was turned into an unexpected tactical success.

But the importance of the success should not be over-estimated. The difference over the European trade question remains as deep as ever. The recognition that trade problems must be "examined" can hardly be claimed to have restored even the tactical or procedural position that existed when the Maudling committee broke up in November 1958. There has been no mention of either a multilateral association or a free trade area in the resolutions of the conference. A commitment to examine problems is not a commitment to negotiate. Much will continue to depend on the attitude of the United States, whose massive presence has dwarfed the European combatants. And the Americans, though made more aware of the existence of the Seven by this week's meeting, remain at heart on the side of the community.

Big results cannot in any event be expected in the near future. The Americans themselves explain that the current talks can be no more than a preparation for a decision that will have to be taken after their own presidential election. The determination of the Seven to grind their European axe has meant, too, that any possibilities there were of a new attempt to grapple with trade problems on an Atlantic or world-wide basis have been pushed into the background.

Cyprus and the Grivas Question

FROM OUR ATHENS CORRESPONDENT

HOW much hinterland is required to render the use of British base areas and installations in Cyprus as "efficient" as the London agreements wanted them to be? The British Government initially claimed a large area with an indigenous population of 16,000, but whittled down its demand to 113 square miles which would include only about 1,100 Cypriots. At present the Cypriots are willing to surrender to British sovereignty only 42 uninhabited square miles. The Greek military experts, consulted by the Greek government, were inclined, with reservations, to favour the British view as reasonable on a purely military assessment. General Grivas, the former Eoka leader, whose opinion still seems to count, believes that the British demands are far in excess of military requirements proper. The Turks do not seem to care one way or the other.

The five-party conference on Cyprus which is meeting in London this weekend is expected to settle these differences in time for Cyprus to be proclaimed independent on February 19th. Significantly, the British ambassador to Greece, Sir Roger Allen, accompanied the invitation to Mr Averoff, the Greek foreign minister, with a warning that the British were not prepared to yield on the size of the two cantonments. The Greek government has adopted a rather detached attitude; the effectiveness and operational readiness of the British bases is just as much to the advantage of Greece as of Britain. The Greeks, however, are aware that Cypriot recalcitrance springs from fears that, small though the enclaves may be—about 3 per cent of the area of Cyprus—a part of the island would be remaining a colony, with a separate civil administration and a non-military population of 1,100 "underprivileged" Cypriots. For reasons of national pride, more than anything else, Archbishop Makarios is unwilling to accept this.

The Greek foreign minister's efforts in London will, therefore, tend to placate the Greek Cypriots by giving them full support in their attempt to obtain a satisfactory legal status for the area of the bases. This might eventually involve British undertakings not to establish a civil authority in the enclaves and to allow Greek-Cypriot inhabitants there to take Cypriot nationality. Mr Averoff is going to London "with the determination to respect and fulfil our engagements," including, presumably, those assumed when the foreign ministers of Greece and Turkey met Mr Selwyn Lloyd just after the conclusion of the Zurich agreements.

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JAN 20 1960

Sproul Named To Asia Mission

1-13 *Washington Bureau*

WASHINGTON. — Allan Sproul, former president of the New York Federal Reserve Bank, will substitute for former Budget Director Joseph M. Dodge on the three-man team of experts surveying the credit needs of India and Pakistan.

The substitution was made by World Bank President Eugene R. Black since Mr. Dodge is ill, the Bank announced.

Other members of the Bank-sponsored delegation are Sir Oliver Franks, Chairman of Lloyd's Bank, Ltd., and Dr. Hermann Abs Chairman of the Deutsche Bank of Frankfurt.

The team will meet Feb. 13 in Karachi to spend five or six weeks in India and Pakistan studying economic conditions and acquainting themselves with the current development plans of the two countries. They will report back to Mr. Black.

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BANKERS VISIT TO INDIA

MR. A. SPROUL IN PLACE OF MR. J. M. DODGE

Mr. Allan Sproul has accepted Mr. E. R. Black's suggestion that he go to India and Pakistan in place of Mr. J. M. Dodge, who is ill, as a member of a group of bankers visiting those countries next month. Mr. Sproul is a former president of the Federal Reserve Bank of New York.

As announced on December 19, the other members of the group, which is visiting India and Pakistan at Mr. Black's suggestion, are Sir Oliver Franks, chairman of Lloyds Bank of London and Dr. Hermann Abs, chairman of the Deutsche Bank of Frankfurt. The three members are to meet in Karachi on February 13 and will spend five or six weeks in India and Pakistan studying economic conditions and acquainting themselves with the current and prospective development plans of the two countries.

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Feb 25, 1960

'Three Wise Men' Reach New Delhi

NEW DELHI (Comtel).—A mission of three leading international bankers whom the press has dubbed "the three wise men" has arrived here on a three-week tour of India to assess the economic aid which this country will need from the West over the next five years.

They are Sir Oliver Franks, chairman of Lloyds Bank, Britain, Dr. Herman Abs, chairman of the Deutsche Bank, West Germany, and Allen Sproul, former chairman of the Federal Reserve Bank of New York. The mission is sponsored by the World Bank.

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FEB 29 1960

WASHINGTON POST. FEB 29. A8

Oxford Like Tammany With Accent on Voting

By Robert E. Baker
European Bureau
The Washington Post

LONDON, Feb. 28 — The battle of the titans is making Oxford University look like Tammany Hall these days.

Holders of Masters of Arts degrees will elect a new Chancellor of the University in balloting beginning Thursday and ending Saturday. The politicking has been as fierce as that in any smoke-filled rooms in the United States.

In the running are two great Britons—the Rt. Hon. Harold Macmillan, M.P., and the Rt. Hon. Sir Oliver Franks, G.C.M.G., K.C.B., C.B.E.

Of course, Prime Minister Macmillan and Sir Oliver are not out at Oxford making stump speeches or kissing babies. Sir Oliver, chairman of Lloyd's Bank, has been traveling in India and Pakistan for the World Bank. Macmillan, recently returned from his African tour, is deftly dealing with the many crises of government here.

Supporters Active

But their supporters have flipped Oxford's lid.

Contested elections for the chancellorship are rare. None has been held for at least a generation. It was rather thought that it just wasn't done, you know. But now that it has been done, Oxford has met the challenge by dividing into two groups of ward heelers.

The vacancy in the chancellorship was caused by the death of Lord Halifax in December. Sir Oliver was in the race first, with 165 signatories. It looked like he was a shoo-in.

But two weeks ago, Macmillan stood for election and was backed by 203 signatories.

At the end of the week, Sir Oliver's supporters suddenly and gleefully came up with an additional 68 names in the jockeying for signatures, giving their candidate a 235 to 210 lead over the Prime Minister. Sir Oliver had a lock on the women's colleges with a lead of 57 to 12 in committed supporters.

Macmillan Has Dons

As the contest has developed, it appears that Macmillan has hefty support from the dons (University teachers), many of whom were piqued because 28 of the 36 heads of houses nominated Sir Oliver without consulting them.

Balliol College certainly is behind Macmillan, a Balliol man. Queen's supports Sir Oliver, once Provost there. A big Macmillan bloc rules Christ Church, yet the Dean, Canon C. A. Simpson sides with Sir Oliver. All Souls is largely with Macmillan.

Naturally, the political overtones are present. Generally speaking, the Conservatives are supporting Macmillan and a coalition of anti-Conservatives are supporting Sir Oliver, a Liberal. Eligible to vote is Hugh Gaitskell, leader of the Labor Party in the House of Commons. Gaitskell won't say who he's supporting.

The chancellor's job consists mainly of looking like the Chancellor of Oxford University on a few necessary occasions. A couple of times a year, he wears traditional dress, including black knee pants, and sits on a throne to preside over ceremonies.

Important Task

But most important — and the crux of the politicking going on — is the exertion of pressure successfully in high places to get what Oxford wants, like ample Government grants.

Lord Halifax once succeeded in using pressure to divert the proposed construction of a gas works from Oxford to Reading.

It's hard to imagine two better qualified candidates than Macmillan and Sir Oliver.

Macmillan, 65, of course, is an experienced politician. Although his prestige withers some of Sir Oliver's supporters, they can point out that Macmillan has lost thrice at least in political races during his distinguished career.

Besides, they point out, Macmillan might well be so scrupulous as Chancellor and Prime Minister that Oxford would actually suffer from his bending over backward to be fair to other universities.

No Politician

Sir Oliver, 55, is no politician. With neither diplomatic nor political background, he was appointed Ambassador to the United States at the age of 43 in 1948 — an unprecedented appointment—and was praised in Washington for a splendid job.

Although he has been called upon by the Government to perform many tasks and he is a business leader, Sir Oliver primarily likes and sticks to the academic life — and that endears him to many Oxford supporters.

Some 30,000 Oxford H.A.'s are eligible to vote. Since they are located all over the world and must vote in person, many fewer than that will make their way to Oxford this week. They must wear their gown to vote, too, although that's no problem since both Macmillan and Sir Oliver supporters will have batches to loan out for the occasion.

There are still many Oxford graduates who don't like the idea of Macmillan entering the contest, thus causing a stir. They wonder why.

Sources close to Macmillan point out the job has great prestige and the Prime Minister thrives on competition. Besides, they say Sir Oliver still is young enough to get the honor eventually.

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Role of The Wise Men

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Special teams of "Wise Men"—named to work out specific but thorny international problems—have played an important role at several points in the evolution of Atlantic cooperation since the end of World War II.

Proponents of the Wise Men device say it has two principal advantages over traditional international negotiations.

The first point derives from the fact that while the Wise Men are respected nationals of the principal negotiating countries, they do not represent governments in their Wise Men capacities; and therefore are not restricted by official government positions and do not have to defer to the formal machinery of governments on each point of agreement or disagreement.

The second asset claimed for the Wise Men technique is that members of the small teams are technically qualified to deal with the broad subject at hand but are not required to cope with the fine points that tend to obstruct agreement in normal negotiations between experts of several nations.

The main idea is that the Wise Men — thus unencumbered—can consult government leaders and technical specialists but use independent judgment in putting their prestige behind an agreement on general principles.

Two teams of Wise Men currently are at work. The first—appointed by the special economic conference in Paris last month—is preparing recommendations for a new and broader organization to replace the OEEC and provide a forum for the coordination of North Atlantic policy on trade and aid to the less developed world. Members are Randolph Burgess, U.S. Ambassador to NATO; Sir Paul Gore-Booth, permanent undersecretary of the British Foreign Office; Bernard Clappier, of the French Ministry of Finance; and Xenophon Zolotas, Governor of the Bank of Greece. Their recommendations are to be made to the second session of the special economic conference scheduled to meet in April.

The other team of Wise Men—appointed by the World Bank—leaves this month for several weeks in India and Pakistan to study the possibility of an international approach to India's need for foreign exchange to finance needed imports during the third Five-Year Plan now in the final process of formulation, and to help launch Pakistan on the road to rapid economic growth. Members are Allen Sproule, former President of the New York Federal Reserve Bank; Sir Oliver Franks, Chairman of Lloyd's Bank of London; and Herman Abs, head of the Deutsche Bank.

Last use of the Wise Men technique was to study the energy resources and needs of the European Community and recommend a program of atomic energy development for EURATOM.

PC

25 April, 1960.

SUBJECT		NEWSPAPER	DATE
World Bank Report		Dawn	20 April 1960
"		Morning News	20 April 1960
"		Pakistan Times	20 April 1960
"		Civil & Military Gazette	20 April 1960
"		Times of Karachi	21 April 1960
"		Times of Karachi	22 April 1960
"	(Editorial)	Morning News	23 April 1960
"		Times of Karachi	23 April 1960
"		Times of Karachi	24 April 1960
"	(Editorial)	Times of Karachi	25 April 1960

UNITED NATIONS INFORMATION CENTRE FOR PAKISTAN
P.I.I.A. BUILDING, STRACHEN ROAD, P.O. BOX NO. 349, KARACHI 1

Name of Paper: "Dawn"

Published at: Karachi

Date: 20 April 1960

PAKISTAN NEEDS 1.9b DOLLARS FOR SECOND PLAN

Bankers Mission submits report

30 p.c. INCREASE IN FOREIGN AID

The three-man Bankers Mission, sponsored by the World Bank, which visited Pakistan and India recently, has stated in its report that Pakistan would need a total of about 1.9 billion dollars over the next five years to meet her development requirements.

The mission estimated the Pakistan's need in the following order: development imports 1.4 billion dollars, balance of payment support 0.3 billion dollars, aid in food supply 0.2 billion dollars.

The mission's assessment of India's need under the corresponding categories was four billion dollars, 1.5 billion dollars and 1.1 billion dollars respectively.

The report's estimates imply a 30 per cent jump in the existing scale of foreign assistance to Pakistan and 45 per cent. boost in loans, grants and surplus food aid to India.

The report, also signed by Dr Herman of Germany and Mr Allan Sproul of the United States, was submitted to Mr Eugene Black, President of the World Bank, at whose suggestion the Bankers Mission undertook a trip to India and Pakistan.

The Mission suggested that "if aid is provided on a considerable scale, a substantial portion of this aid would have to take the form of Government to Government assistance of one kind or another on liberal terms."

Visualising that a number of Governments would join in to give assistance to Pakistan and India, the report stressed the importance of ensuring that the policy of the donor countries should be adequately coordinated in respect of the scale, form and terms of assistance.

Also stressed was the need for economic cooperation between Pakistan and India in the realm of fostering complimentary trade, so as to avoid the danger of economic separation.

SECOND PLAN

The report made the following observations on Pakistan's Second Five-Year Plan:

"The rates of increase in output and per capita income en-

(Continued on back

Bankers report

(Continued from page 1)

visaged by the Plan are modest. Strenuous efforts will be needed to mobilise internal resources for reaching the Plan targets.

"We would like to endorse the priority which the Plan gives to increasing agricultural output.

"The emphasis on industries which save imports or increase exports, and are based on local skills and resources, seems to be dictated by the realities of Pakistan's economic circumstances.

"Under the new administrative procedures adopted by the Government of Pakistan, development expenditure will be reviewed annually. This kind of year to year review is essential. The Plan must be so phased that it can be kept flexible."

The report stated that aid giving countries must recognise the national sovereignty of the countries they are helping. Countries receiving help must recognise that the donors must satisfy their own Congress and Parliaments that such aid was "realistic" and was being spent for the purpose intended.

It pointed out that assurances could not be given of appropriations for more than one year ahead because of constitutional reasons. It also stressed that private investment must not be forgotten or under-estimated. As the two economies improved, it should be possible to substitute the flow of private investment for extraordinary forms of aid from other Governments.

The report said that the basic economic problem confronting Pakistan and India was the shortage of capital resources in relation to the needs of development. In both countries there was the familiar vicious circle of low income, low savings and continuing low income which could not be broken effectively without an inflow of capital funds from abroad. Both countries were suffering from a serious shortage of foreign exchange and had been forced to impose strict import licensing.

Again, both Pakistan and India faced a shortage of managerial talent and were confronted by population increases. Both Governments would have to provide for extra food and other necessities required by 18 to 20 per cent. increase in population over the next 10 years.—APP.

(Message incomplete)

UNITED NATIONS INFORMATION CENTRE FOR PAKISTAN
P.I.I.A. BUILDING, STRACHEN ROAD, P.O. BOX NO. 349, KARACHI 1

Name of Paper: "Morning News".

Published at: Karachi

Date: 29 April 1960

REGD: S. 1813 VOL. VII. NO. 244 KARACHI,

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work either in chambers

RATIONALE OF SECOND 5 ENDORSED

Sector-wise Scheme Approved

WORLD BANK TEAM REPORT

Big Increase In Foreign Aid Vital For Implementation

By Our Staff Correspondent

The Bankers' Mission, which recently visited Pakistan, in its report released to the Press yesterday, expressed agreement with the under-lying philosophy of our Second Five-Year Development Plan.

THE "Three Wise men from the West", while discussing the general economic condition of Pakistan and the capacity of industrialised countries to assist the less developed countries endorsed in general the emphasis placed sector-wise in the programme by the planners of the country.

They, however, advised both Pakistan and India to allow "flexibility" in certain sectors as rigidity may not be possible during the execution period of the plan because of both internal and external economic situations.

The Bankers' Mission came out to India and Pakistan at the request of the World Bank President, Mr. Eugene Black, to study the economic condition in both countries and to acquaint themselves with their development plans. Their report was released yesterday to the Press simultaneously in Karachi, New Delhi and Washington and Europe.

The report contains two chapters one on Pakistan and the other on India.

The bankers felt that keeping in view the rates of increase in output and per capita income envisaged, Pakistan's Second Five-Year Plan targets were "modest".

But if they were to be achieved, they said, "the problem of mobilising the necessary resources will require strenuous efforts by the Government and continuing austerity for the people of Pakistan."

Endorsing "the priority which the plan gives to increasing agricultural output", they said, "our only uncertainty is whether the organisational problem—of arranging adequate and timely supplies of fertiliser, seed and credit together with improved marketing arrangements—will take longer than the plan envisages."

NEED FOR FLEXIBILITY

Expressing full agreement with the provision in the Plan that progress would be reviewed yearly, the bankers observed: "We feel that we must stress the need for the plan to be so phased that it can be flexible".

The bankers expressed the hope that with the will and determination of the present regime, which has already halted the economic rot, they would be able to execute the Second Five-Year Plan with success.

In making these observations the bankers said they had not taken into account the impact of the Indus Waters Scheme on the economy of Pakistan.

They however, felt that after the scheme was implemented it would "have a significant impact on the economy" of the country.

BIG FOREIGN AID NEEDED

The development programmes of India and Pakistan, they said, could be made effective only "if a very substantial increase in foreign assistance above the amounts provided during the period of the two countries' plan was forthcoming.

India, they pointed out, would be requiring 4.1 billion dollars for development imports alone. Nearly 1.5 billion dollars would be needed for balance of payment support; 1.1 billion dollars for food aid during the Five-Year Plan period.

Pakistan would require 1.4 billion dollars for development imports while another 0.3 billion dollars would be needed for balance of payment support. Her need for aid in food supply would be of the order of 0.2 billion dollars.

The position being so the pro-

World Bank Report On Second Plan

(Continued from page 1)
blem of giving aid to these two countries could not be tackled on the concept of Marshall Aid fixing aid assistance to reach more or less visible targets of economic recovery.

NOT LOANS, BUT GRANTS

If the assistance, they felt, required by both India and Pakistan made available entirely in the form of long or short loans on normal and commercial terms, the resulting debt service liabilities would almost certainly impose an intolerable strain on their balance of payments.

This would mean, they said, that a substantial proportion of any aid provided would have to be make the form of grants or loans not made on strictly commercial terms. It would ultimately take the form of assistance from Government to Government basis on liberal terms, they said.

For this, they thought bilateral agreements may have to be signed between the aid-giving and the aid-receiving countries. They, however, felt that multilateral system of aid-giving would be the best way of getting the greatest benefit from a given volume of aid.

The bankers felt that as sufficient progress had already been made towards achieving international equilibrium, the industrialised countries may be in a better position to provide assistance to developing countries.

In the report, the bankers emphasised the need for providing conditions for foreign investment in these two countries. "It should be possible to substitute the ordinary flow of private investment for the more exceptional forms of aid", they added.

The bankers emphasised the need for economic co-operation between the countries of the region. "It is obvious", they said, "that such economic co-operation between India and Pakistan is not only to the advantage of both countries but also to the capital-supplying nations of the Atlantic community."

BANK'S STATEMENT

The International Bank for Reconstruction and Development has released the following statement to the Press simultaneously in Karachi, New Delhi, Washington and Europe:

In response to a suggestion by Eugene R. Black, President of the World Bank, three well-known bankers visited Pakistan and India for six weeks in February and March of this year to study economic conditions there and acquaint themselves with the current and planned development programmes in the two countries.

The bankers were Mr. Hermann Abs Chairman of the Deutsche Bank of Frankfurt; Sir Oliver Franks, Chairman of Lloyds Bank Ltd., London, and Mr. Allan Sproul, formerly of New York Federal Reserve Bank.

In making his suggestions, which was prompted by the terms of a resolution introduced into the United States Senate by Senators John F. Kennedy and John Sherman Cooper and passed unanimously by that body, Mr. Black was guided by the conviction that visits by prominent members of the business and financial communities of the industrially developed countries would help to achieve a wider understanding of the problems confronting the less developed areas of the world.

Mr. Abs, Sir Oliver Franks and Mr. Sproul were not asked to prepare a formal report, nor was a detailed assessment possible in the time available. But they had extensive opportunities during their visit to observe the economic conditions and problems of India and Pakistan, and to discuss with leaders of the two countries the issues involved in carrying out economic development programmes. At the end of their visit the three bankers wrote a joint letter to Mr. Black recording their general impressions.

In deciding to publish the letter with the permission of its authors Mr. Black felt that it would make an important contribution to public discussion of the problems of economic development both in India and Pakistan and in the industrialised countries which have been and expect to be providing assistance for economic development in the sub-continent.

EXCERPTS FROM REPORT

The following are excerpts from the report addressed to Mr. Black from the Bankers' Mission:

Despite the many differences and contrasts between India and Pakistan, the basic economic problem confronting them is the shortage of capital resources in relation to the needs of development. In both countries there is the familiar vicious circle of low income, low savings, and continuing low income, which cannot be broken effectively without an inflow of capital funds from abroad.

Both countries are suffering from a serious shortage of foreign exchange, and have been forced to impose strict import licensing.

But perhaps the most striking feature of the sub-continent's development probem is its sheer scale: not only are real incomes low, but, with a population of about 500 million—about 90 million in Pakistan and over 400 million in India—the capital resources required to generate even modest increases in real income are very large.

The shortages of foreign exchange, domestic saving and managerial capacity in both public and private sectors have caused both countries to adopt economic planning. Both countries are using the framework of Five Year Plans, with Pakistan embarking on its Second Five Year Plan in July 1960, and India beginning its Third Five Year Plan in April 1961. In both countries we have tried to review the broad outlines of these plans in the light of earlier experience and present economic policies.

PAKISTAN: SECOND PLAN

Until the present Government came into power, a succession of governments had made only halting progress towards developing a more viable pattern in the economy. In 1955, the Government sought to introduce a more coordinated approach in the form of a First Five Year Plan, to cover the period 1955-60, but Ministers and officials have told us that the Plan failed in a number of important ways.

The basic cause of the failure to make progress was the stagnation of agricultural output. This was due to an inadequate recognition of the priority of the agricultural problem, and to the lack of effective action to educate the farmer in improved production techniques or to provide him with adequate supplies of seed, fertilizers, pesticides and credit.

With food output stationary and population rising, food imports increased and the balance of payments deteriorated. At the same time, an upsurge of private import demand, which fiscal and monetary policy failed to control, led to the foreign exchange crisis of 1957-58.

In 1959, the new Government succeeded in regaining control over the economic situation. Firm action was taken to bring the budget into better balance and to restrain credit. Drastic restrictions on less essential imports effectively halted the decline in reserves, while the introduction of an export bonus scheme somewhat strengthened export incentives.

INFLATION

The inflationary trend in prices was checked by price controls, which are being progressively relaxed now that the more fundamental financial measures are proving effective.

Nevertheless, the economy remains heavily dependent on foreign aid, not only for supporting development but also for covering current import requirements. But, most important of all, the new Government has succeeded in restoring confidence.

Much has been learned from the failure of the First Five Year Plan, and this is reflected in the draft outline of the Second Five Year Plan which covers the period July 1960 to June 1965.

In aggregate terms, the objective of the Plan is to achieve a 20 per cent increase in national output by 1965. With population expected to increase by about 10 per cent during the period, the Plan thus envisages an increase in income per head of about 2 per cent per annum.

The Plan aims to spend about Rs. 19,000 million ($4.0 billion) over the five years. Of this Rs. 11,500 million is in the public sector and Rs. 7,500 million in the private sector.

AID NEEDS

The Government has told us that it expects to be able to finance Rs. 11,000 million of this expenditure from domestic resources, while direct private foreign investment is expected to provide about Rs. 1,500 million, leaving Rs. 6,500 million to be financed by foreign aid in one form or another.

In addition to the aid needed to finance the development programme itself, the Government estimates that a further Rs. 1,500 million will be required to cover the excess of ordinary imports not directly connected with development over export earnings, so that the total external assistance required (excluding P. L. 480 funds) is put at Rs. 8,000 million (or $1.7 billion).

The Second Plan gives first priority to achieving agricultural self-sufficiency by the end of the Plan period. Success in achieving this objective is a necessary pre-condition for the success of the whole Plan.

This involves supplying the farmer with adequate amounts of fertilizer, improved seed, pesticides and credit, and ensuring their effective use. Warehousing and marketing arrangements will also have to be improved.

If all this is to be done, the Government will have to overcome the extremely difficult problem of building up an effective organisation that will reach down to the individual farmer. Next, the Plan proposes to take immediate steps to halt the progressive loss of agricultural output from waterlogging and salinity. Priority will be given to drainage in order to prevent further loss of good land.

At the same time a start will be made on longer term measures, some of which may still be experimental, to reclaim land which has gone out of use. There are also plans to bring new land under cultivation.

These proposals for conserving existing acreage and reclaiming lost land form part of a longer term overall water resources plan designed to make the fullest use of Pakistan's water supplies. This longer term plan includes proposals for the construction of dams, barrages, canals and tube wells, and will in the aggregate involve large amounts of capital expenditure over a decade or more.

STRIKING A BALANCE

In certain instances these schemes form part of multipurpose projects designed also to supply industrial power. A certain number of these large slow-maturing projects are essential to provide for the future growth of the demand for power and to extend irrigation over the wider area required by a growing agricultural population.

But there is a risk that too much capital and technical resources can get locked up in these big schemes so that the investment programme becomes inflexible. We feel that, in striking a balance between large projects and smaller schemes which yield more immediate returns, this problem of phasing should be kept under constant review.

The pattern of industrial development which the Plan proposes is largely directed to the need for supplying the agricultural sector with manufactured equipment and supplies, and providing for the processing of agricultural output such as jute, cotton and sugar cane.

Of equal importance in determining the pattern of industrial development is the chronic **(Continued on back page Col. 1)**

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WORLD BANK REPORT

(Continued from page 7)
shortage of foreign exchange which, as the Plan recognises, must imply concentration on investment in industries which will either save imports or increase export earnings.

In consequence, the Government will be forced to exercise a selective control over the establishment of new firms and industries for some time to come, and will hold the power to prevent expansion or enforce contraction in existing industries.

The exercise of this power in a country in which administrative talent is spread so thinly obviously presents certain hazards.

AVOIDING INFLATION

A critically important aspect of the Second Five Year Plan is the problem which it poses for internal financial policy. We were told that, if the Plan is to be implemented without undue inflationary pressure, ab-ut 25 per cent of the projected increase in per capita income will have to be absorbed by saving, public or private.

In a country such as Pakistan where real incomes are so low, and much of the increase in income will be widely spread over a population living near subsistence level, this is a formidable task.

We were impressed by the determination with which the Minister of Finance is approaching the fiscal problem. We also feel that it is important that the fiscal and monetary authorities should be alert as to the part monetary policy can play in restraining inflationary pressure, and helping to bring about a more economic allocation of investment resources.

PRIVATE ENTERPRISE

The Government is quite clear as the role which it assigns to public and private enterprise within the Plan. Apart from certain social needs which are met in almost all countries by public expenditure, and apart from the qualification that whenever private funds and initiative are not forthcoming in other essential areas the State will have to undertake the investment itself, the Government believes that as much as possible should remain within the private sector.

Again, officials have told us that outside the field of public utilities it is Government policy to return to the private sector any publicly-owned or operated enterprises as soon as feasible.

To summarize our main impressions. First, the rates of increase in output and per capita income envisaged by the Plan are modest. But if they are to be achieved the problem of mobilizing the necessary domestic resources will require strenuous efforts by the Government and continuing austerity for the people of Pakistan.

On the assumptions of the Plan an increase in external foreign assistance of about 30 per cent will also be required for development purposes.

AGRICULTURAL OUTPUT

Secondly, we would like to endorse the priority which the Plan gives to increasing agricultural output. We have been impressed by the determination of the Government to achieve this objective. Our only uncertainty is whether the organisational problem of arranging adequate and timely supplies of fertilizer, seed and credit together with improved marketing arrangements will take longer than the Plan envisages.

Thirdly, the emphasis on industries which save imports or increase exports, and are based on local skills and resources, seems to be dictated by the realities of Pakistan's economi...

individual freedom. Both Governments have rejected this approach, but we recognise that this decision renders both countries more heavily dependent upon outside assistance than would otherwise be the case.

GOVT. TO GOVT. AID

If the assistance required were made available entirely in the form of long or short loans on normal commercial terms, the resulting debt service liabilities would almost certainly impose an intolerable strain on the Indian and Pakistani balance of payments.

This means that a substantial proportion of any aid provided would have to take the form of grants or loans not made on strictly commercial terms.

The proposed International Development Association represents a recognition by Governments of the need for this kind of assistance to developing countries, but the IDA is still in process of being established and its resources will be too small for it to play more than a minor role in providing external resources for India and Pakistan during the next five years.

This means that if aid is provided on a considerable scale, a substantial proportion of this aid would have to take the form of Government to Government assistance of one kind or another on liberal terms.

It is expected that a considerable number of Governments will participate in providing assistance for India and Pakistan, and this is likely to involve ultimately bilateral agreements between each of the aid-giving and aid-receiving countries.

It will be of the first importance therefore to ensure that the policy of the aid-providing Governments with respect to the scale, form and terms of the assistance provided should be adequately coordinated. Otherwise there is liable to be a waste of resources and effort and unnecessary international friction.

In the context of bilateral aid extended by a considerable number of governments, a reasonable measure of coordination should make possible the provision of aid which is not tied to the exports of a particular country. Multilateral aid of this kind provides the best way of getting the greatest benefit from a given volume of aid.

SOVEREIGNTY & AID

Foreign assistance on anything like this scale would create problems and responsibilities for both the countries providing and the countries receiving aid. It is the responsibility of the countries providing aid to recognise the national sovereignty and aspirations of the countries that they are assisting.

On the other hand, countries receiving aid must recognise that the Governments of the aid-providing countries must satisfy their legislatures, and that legislatures will require to be assured that the aid-receiving countries' methods of handling their economic policies are realistic and that aid provided is spent on the purposes contemplated by the aid-providing countries.

It would be natural for the aid-providing countries to pay particular attention to the determination which the aid-receiving countries show in pursuing such tasks as growing enough food to meet their needs and expanding exports.

The necessity for discussions between aid-giving and aid-receiving Governments which this implies must be accepted as a necessary consequence of ...

given to development plans, would be required if economic progress is not to be completely checked.

PRIVATE INVESTMENT

The role of private investment as a source of assistance for development must not be forgotten or under-estimated although its immediate impact is not likely to be large.

It is important that the Governments of countries seeking aid should recognise that the flow of private long term funds is one of the sources of investment finance which more developed countries wish to foster and that if they are to use the potential sources of aid to the full they will need to create conditions which will attract private capital from abroad.

Private foreign investors on the other hand should be prepared to accept that the Indian and Pakistani balance of payments difficulties imply that these countries can in general only accept private foreign investment of a kind that will either be import saving or export earning.

An increased flow of private foreign investment will also depend upon the willingness of the capital-supplying countries to foster such an outflow of private funds. We are the more concerned to stress the importance of private capital from abroad because, as the economic structure of these two countries is brought nearer to viability with the help of Government to Government assistance, it should be possible to substitute the ordinary flow of private investment for the more exceptional forms of aid.

REMOVING BARRIERS

The more highly industrial countries can further assist the course of development by removing the kind of barriers which restrict the export opportunities of developing countries. The process of development, and the growth of new areas of industry which it brings with it, must inevitably exert a profound influence on the whole pattern of international trade.

If countries with longer established manufacturing industries resist this process of change by maintaining barriers to the free flow of trade, the pace of development will be retarded, and more aid will be required.

REGIONAL COOPERATION

We should also emphasise the need for economic cooperation between the developing countries themselves. We have been impressed by the disruptive impact of partition upon the economies of India and Pakistan.

While considerable progress has been made in cooperation between the two countries, we would like to emphasise the need for policies which would promote further cooperation and foster trade of a complementary character, and reduce the danger of economic separatism.

The trend of the times not only in Western Europe but elsewhere in the world strongly oriented towards international economic cooperation. Here on the sub-continent similar opportunities for cooperative efforts in the field of trade and exploitation of natural resources exist.

It is obvious that such economic cooperation between India and Pakistan is not only to the advantage of both countries but also to the capital supplying nations of the Atlantic community.

Finally, whatever may be the final programme developed by the two countries both Governments need to bear in mind that there can be no assurance that the Governments of the more highly industrialised coun...

in the evening they propose to go for net practice at the Lahore Stadium.—APP.

the blank ace of clubs. one spade and two hearts. At this

Eaglets and topped the bowling average.—PPA.

Bank Report On Second Plan

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The inflationary trend in prices was checked by price controls, which are being progressively relaxed now that the more fundamental financial measures are proving effective.

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STRIKING A BALANCE

In certain instances these schemes form part of multi-purpose projects designed also to supply industrial power. A certain number of these large slow-maturing projects are essential to provide for the future growth of the demand for power and to extend irrigation over the wider area required by a growing agricultural population.

But there is a risk that too much capital and technical resources can get locked up in these big schemes so that the investment programme becomes inflexible. We feel that, in stri-

UNITED NATIONS INFORMATION CENTRE FOR PAKISTAN
P.I.I.A. BUILDING, STRACHEN ROAD, P.O. BOX NO. 349, KARACHI 1

Name of Paper: .."Pakistan Times"...

Published at: ..Lahore..

Date: ..20 April 1960...

PAKISTAN NEEDS $1.9 BILLION FOR PLAN

Mission's report to World Bank

KARACHI, April 19: The three-man Bankers Mission led by Sir Oliver Franks of the United Kingdom has stated in its report to the World Bank that India and Pakistan would need about $8.5 billion over the next five years to meet their development requirements.

The mission estimated that Pakistan would need a total of about $1.9 billion divided in the following order:

Development imports—$1.4 billion; balance of payment support—$0. billion; aid in food supply (in particular p.l. 480)—$1.3 billion.

The mission's assessment of India's need under corresponding categories was $4 billion $1.5 billion and $1.1 billion respectively.

The report's estimates imply a 30 per cent jump in the existing scale of foreign assistance to Pakistan and 45 per cent boost in loans, grants and surplus food aid to India.

The report, also signed by Dr.

(Continued on page 7, col. 1)

U.S. BANKERS' MISSION REPORT

(Continued from page 1, col. 6)
Hermann Abbs of Germany and Mr. Allan Aproul of the United States, was submitted to Mr. Eugene Black, President of the World Bank, at whose suggestion the Bankers Mission undertook a trip to India and Pakistan.

GOVT.-TO-GOVT. AID

The three "wise" bankers suggested that "if aid is provided on a considerable scale, a substantial portion of this aid would have to take the form of Government-to-Government assistance of one kind or another on liberal terms."

Visualising that a number of Governments would join in to give assistance to India and Pakistan, the report stressed the importance of ensuring that the policy of the donor countries should be adequately co-ordinated in respect of the scale form and terms of assistance.

Also stressed was the need for economic co-operation between India and Pakistan in the realm of fostering complimentary trade so as to avoid the danger of economic separation.

The report made the following observations on Pakistan's second Five-Year Plan:

1. The rates of increase in output and per-capita income envisaged by the plan are modest. Strenuous efforts will be needed to mobilise internal resources for reaching the plan targets.

2. "We would like to endorse the priority which the plan gives to increasing agricultural output".

3. The emphasis on industries which save imports or increase exports and are based on local skills and resources, seems to be dictated by the realities of Pakistan's economic circumstances.

4. Under the new administrative procedures adopted by the Government of Pakistan, development expenditure will be reviewed annually. This kind of year-to-year review is essential. The plan must be so phased that it can be kept flexible.

The report stated that aid giving countries must recognise the national sovereignty of the countries they are helping. Countries receiving help must recognise that the donors must satisfy their own Congress and Parliaments that such aid was "realistic" and was being spent for the purpose intended.

PRIVATE INVESTMENTS

It pointed out that assurances could not be given of appropriations for more than one year ahead because of constitutional reasons. It also stressed that private investment must not be forgotten or under-estimated. As the two economies improved, it should be possible to substitute the flow of private investment for extraordinary forms of aid from other governments.

The report said that the basic economic problem confronting India and Pakistan ... demand, which fiscal and monetary policy failed to control, led to the foreign exchange crisis of 1957-58.

CURB ON IMPORTS

In 1959, the new Government succeeded in regaining control over the economic situation. irm action was taken to bring the budget into better balance and to restrain credit. Drastic destrictions on less essential imports effectively halted the decline in reserves, while the introduction of an export bonus scheme somewhat strengthened export incentives. The inflationary trend in prices was checked by price controls, which are being progressively relaxed now that the more fundamental financial measures are proving effective. Nevertheless the economy remains heavily dependent on forign aid, not only for supporting development but also for covering current import requirements. But, most important of all, the new Government has succeeded in restoring confidence.

Much has been learned from the failure of first five year plan, and this is reflected in the draft outline of the second five-year plan which covers the period—July 1960 to June 1965. In aggregate terms, the objective of the plan is to achieve 20 per cent increase in national output by 1965. With population expected to increase by about 10 per cent during the period, the plan thus envisages an increase in income per head of about 2 per cent per annum.

The plan aims at spending about Rs. 19,000 million ($4.0 billion) over the five years. Of this Rs. 11,500 million is in the public sector and Rs. 7,500 million in the private sector. The general composition of the proposed expenditure is shown below:

Total development expenditure.

Million rupees percentage.

Agriculture—5,530—28.

Industry, fuels, and minerals—4,170—22.

Public, utilities (transport, communications, power, water supply)—4,450—24.

Commercial and residential buildings—2,710—14.

Education, health, welfare, etc.—1,6640—9.

Inventories—500—3.

Total: 19,000—100.

DOMESTIC RESOURCES

The Government has told us that it expected to be able to finance Rs. 11,000 million of this expenditure from domestic resources, whole direct private foreign investment is expected to provide about Rs. 1,500 million, leaving Rs. 6,500 million to be financed by foreign aid in one form or another. In addition to the aid needed to finance the development programme itself, the Government estimates that a further Rs. 1,500 million will be required to cover the excess of ordinary imports not directly connected with development over export earnings, so that the total external assistance required (excluding P.L. 480 funds) is put at Rs. 8,000 million (or $1.7 billion).

SELF-SUFFICIENCY

The second plan gives first priority to achieving agricultural self-sufficiency by the end of the plan period. Success in achieving this objective is a necessary precondition for the success of the whole plan. This involves supplying the farmer with adequate amounts of fertiliser, improved seed, pesticides and credit, and ensuring their effective use. Warehousing and marketing arrangements will also have to be improved. If all this is to be done, the Government will have to overcome the extremely difficult problem of building up an effective organisation that will reach down to the individual farmer.

Next, the plan proposes to take immediate steps to halt the progressive loss of agricultural output from water-logging and salinity. Priority will be given to drainage in order to prevent further loss of good land. At the same time a start will be made on long-term measures, some of which may still be experimental, to reclaim land which has gone out of use. There are also plans to bring new land under cultivation.

LAND RECLAMATION

These proposals for conserving existing acreage and reclaiming lost land form part of a long-term overall water resources plan designed to make the fullest use of Pakistan's water supplies. This longer-term plan includes proposals for the construction of dams, barrages, canal and tube-wells and will in the aggregate involve large amounts of capital expenditure over a decade or more.

In certain instances these schemes form part of multi-purpose projects designed also to supply industrial power. A certain number of these large slow maturing projects are essential to provide for the future growth of the demand for power and to extend irrigation over the wider area required by a growing agricultural population. But there is a risk that too much capital and technical resources can get locked up in these big schemes so that the investments programme becomes inflexible. We feel that, in striking a balance between large projects and smaller schemes which yield more immediate returns, this problem of phasing should be kept under constant review.—APP.

(To be concluded)

Name

Publi

Date:

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Name of Paper: "The Civil & Military Gazette".

Published at: Lahore

Date: 20 April 1960

WORLD BANK MISSION SUBMITS REPORT

KARACHI, April 19—The three-man bankers' mission, which was led by Sir Oliver Franks of the United Kingdom has stated in its report to the World Bank that India and Pakistan would need about 8.5 billion dollars over the next five years to meet their development requirements. The mission estimated that Pakistan would need a total of about 1.9 billion dollars.

The report's estimates imply a 30 per cent jump in the existing scale of foreign assistance to Pakistan and 45 per cent boost in loans, grants and surplus food aid to India.

The report, signed by the three members, was submitted to Mr. Eugene Black, President of the World Bank, at whose suggestion the banker's mission undertook a trip to India and Pakistan.

The three "wise" bankers suggested that "if aid is provided on a considerable scale, a substantial portion of this aid would have to take the form of government-to-government assistance of one kind or another on liberal terms"

Visualising that a number of governments would join in to give assistance to India and Pakistan, the report stressed the importance of ensuring that the policy of the donor countries should be adequately co-ordinated in respect of the scale form and terms of assistance.

Also stressed was the need for economic co-operation between India and Pakistan in the realm of complementary trade, so as to avoid the danger of economic separation.

The report made the following observations on Pakistan's Second Five-Year Plan:

1. "The rates of increase in output and per capita income envisaged by the Plan are modest. Strenuous efforts will be needed to mobilise internal resources for reaching the Plan targets.

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(Message incomplete)

UNITED NATIONS INFORMATION CENTRE FOR PAKISTAN
P.I.I.A. BUILDING, STRACHEN ROAD, P.O. BOX NO. 349, KARACHI 1

Name of Paper: "Times of Karachi"

Published at: Karachi

Date: 21 April, 1960

BANKERS' MISSION REPORT

Following is the text of Bankers' Mission's report to Pakistan and India which was released today. This report is addressed to the Chairman of the World Bank, Mr. Evgene Black.

THE proposal that we should visit India and Pakistan was sponsored by you, as President of the International Bank for Reconstruction and Development, and was welcomed by Governments of India and Pakistan. We accepted the invitation as independent private individuals: We received no terms of reference or instructions either from the International Bank, or from the Governments of our own countries.

We have, therefore, had to consider what an independent Mission of this kind, with a limited amount of time at its disposal could most usefully attempt. You told us that we were not expected to submit a formal report: and, indeed, it would have been impossible for us in the course of a month to undertake any detailed assessment of the economic situation and development programmes of India and Pakistan. We have concluded that the most useful task which we can set ourselves is to try and form broad general impressions about the problems of development in these two countries. In doing so, we have approached the question of the scale and balance of development plans in qualitative rather than quantitative terms, and we have tried to see how the kind of proposals for development which are at present under consideration in these two countries fit into the broad pattern of what has already been achieved. We hope that the bundle of impressions which we have formed will help towards the understanding of some of the problems of policy which seem to us to confront both the countries which we have visited and those countries and international institutions which are, or may be, concerned with providing finance for development.

Despite the many differences and contrasts between India and Pakistan, the basic economic problem confronting them is the shortage of capital resources in relation to the needs of development. In both countries there is the familiar vicious circle of low income, low savings, and continuing low income, which cannot be broken effectively without an inflow of capital funds from abroad. Both countries are suffering from a serious shortage of foreign exchange, and have been forced to impose strict import licensing. But perhaps the most striking feature of the subcontinent's development problem is its sheer scale: not only are real incomes low, but, with a population of about 500 million —about 90 million in Pakistan and over 400 million in India— the capital resources required to generate even modest increases in real income are very large.

The numbers already involved are large, but in both countries the problem is made much more intractable by the rate of growth of population. While precise information is lacking, it seems that the principal cause of the rapid growth of population is not an increase in the birth rate—the birth rate may be little higher than that in the United States—but a sharp decline in the death rate, which is the result of the provision in recent years of basic medical and sanitation facilities long familiar in more advanced countries. It is true that Governments have endorsed programmes of education in family planning, though the results of this may not be realized for some time. Moreover, as the populations of both countries achieve a higher degree of literacy, and become more aware of the possibilities of achieving an improved standard of life the present trend towards smaller families in the urban areas may become more widespread. However, it is impossible to say when a significant fall in the birth rate will occur, and in the meantime both Governments are confronted with the task of providing the extra food and other necessities required by increases in population of the order of 18 to 20 per cent over the next ten years while at the same time struggling to bring about an increase in per capita income.

In visiting India and Pakistan one of our first tasks has been to try and form a judgement about the qualities of character, vigor, and honest endeavor to be found in the two countries. On these questions we have gained a sense of considerable confidence from our discussions with the Ministers, officials and private individuals whom we have met. We have also been impressed by the capacity of the senior officials and prominent businessmen in both countries. Nevertheless, once one goes beyond this, managerial talent is scarce and it may prove difficult to carry through decisions effectively in their detailed application to the individual at the level of worker and farmer.

The shortages of foreign exchange, domestic saving and managerial capacity in both public and private sectors have caused both countries to adopt economic planning. Both countries are using the framework of Five Year Plans, with Pakistan embarking on its Second Five Year Plan in July 1960, and India beginning its Third Five Year Plan in April 1961. In both countries we have tried to review the broad outlines of these plans in the light of earlier experience and present economic policies.

The two sections which follow set out the impressions which we have formed in each of the two countries. The concluding section indicates briefly some more general ideas which we believe to be relevant when considering the problems of development and foreign assistance common to both countries.

SECOND 5-YEAR PLAN

We began our tour of Pakistan on February 14th, and during the following ten days visited Rawalpindi, Peshawar, Lahore and Karachi, with brief stop-overs at several industrial and hydro-electric projects. We also flew over the Indus irrigation system in West Pakistan. We subsequently made a trip to East Pakistan from March 5th to 8th, visiting Dacca, Jessore and Khulna, where we were shown other industrial installations and given a flying tour over a number of flood-control and irrigation projects. During our visit, we met President Mohammad Ayub Khan and members of his Cabinet, most of the senior officials concerned with economic policy in the Central and Provincial Governments, and many private businessmen. In these meetings, we were impressed by the enlightened leadership which the present Government is bringing to bear on the problems of economic policy and development.

With the partition of the Indian sub-continent in 1947, Pakistan emerged as an independent country including both the semi-arid regions of Baluchistan, Sindh and the Western Punjab and, separated by more than a thousand miles of Indian territory, the sub-tropical area of East Bengal. The differences between East and West Pakistan are striking, but both provinces are predominantly agricultural, deficient in industrial materials, and since partition, hemmed in by frontiers which cut across the natural and traditional lines of communication and trade with India. After partition, Pakistan also faced the problem of receiving and integrating into its economy an influx of many million refugees; and the combined problems of physical separation, refugee assimilation, and economic development have created serious difficulties for a country in which there are shortages of skilled manpower stemming from educational deficiencies.

More deepseated has been the problem of the continuing loss of good agricultural land through waterlogging and salinity in West Pakistan. We were told that of about 30 million acres of cultivated land in West Pakistan about 70,000 acres are entirely lost each year and hundreds of thousands of acres are suffering losses in productivity as a result of the inroads of salinity and waterlogging.

Until the present Government came into power, a succession of Governments had made only halting progress towards developing a more viable pattern in the economy. In 1955, the Government sought to introduce a more co-ordinated approach in the form of a First Five Year Plan, to cover the period 1955-60, but Ministers and officials have told us that the Plan failed in a number of important ways. The basic cause of the failure to make progress was the stagnation of agricultural output. This was due to an inadequate recognition of the priority of the agricultural problem, and to the lack of effective action to educate the farmer in improved production techniques, or to provide him with adequate supplies of seed, fertilizers, pesticides and credit. With food output stationary and population rising, food imports increased and the balance of payments deteriorated. At the same time, an upsurge of private import demand, which fiscal and monetary policy failed to control, led to the foreign exchange crisis of 1957-58.

In 1959, the new Government succeeded in regaining control over the economic situation. Firm action was taken to bring the budget into better balance and to restrain credit. Drastic restrictions on less essential imports effectively halted the decline in reserves, while the introduction of an export bonus scheme somewhat strengthened export incentives. The inflationary trend in prices was checked by price controls, which are being progressively relaxed now that the more fundamental financial measures are proving effective. Nevertheless, the economy remains heavily dependent on foreign aid, not only for supporting development but also for covering current import requirements. But, most important of all, the new Government has succeeded in restoring confidence.

Much has been learned from the failure of the First Five Year Plan, and this is reflected in the draft outline of the Second Five Year Plan which covers the period July 1960 to June 1965. In aggregate terms, the objective of the Plan is to achieve a 20 per cent. increase in national output by 1965. With

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population expected to increase by about 10 per cent. during the period, the Plan thus envisages an increase in income per head of about 2 per cent. per annum.

The Plan aims to spend about Rs. 19,000 million ($4.0 billion) over the five years. Of this Rs. 11,500 million is in the public sector and Rs. 7,500 million in the private sector. The general composition of the proposed expenditure is shown below:-

TOTAL EXPENDITURE

Agriculture—Rs. 5,530 (m) 28 P.C., Industry, fuels and Minerals—Rs. 4,170 (m) 22 P.C. Public utilities (transport, communications, power, water supply)—Rs. 4,450 (m) 24 P.C.; Commercial and residential buildings—Rs. 2,710 (m) 14 P.C.; Education, health, welfare, etc.—Rs. 1,640 (m) 9 P.C.; Inventories—Rs. 500 (m) 3 P.C.

The Government has told us that it expects to be able to finance Rs. 11,000 million of this expenditure from domestic resources, while direct private foreign investment is expected to provide about Rs. 1,500 million, leaving Rs. 6,500 million to be financed by foreign aid in one form or another. In addition to the aid needed to finance the development programme itself, the Government estimates that a further Rs. 1,500 million will be required to cover the excess of ordinary imports not directly connected with development over export earnings, so that the total external assistance required (excluding P.L. 480 funds) is put at Rs. 8,000 million (or $1.7 billion).

The Second Plan gives first priority to achieving agricultural self-sufficiency by the end of the Plan period. Success in achieving this objective is a necessary pre-condition for the success of the whole Plan. This involves supplying the farmer with adequate amounts of fertilizer, improved seed, pesticides and credit, and ensuring their effective use. Warehousing and marketing arrangements will also have to be improved.

If all this is to be done, the Government will have to overcome the extremely difficult problem of building up an effective organisation that will reach down to the individual farmer. Next, the Plan proposes to take immediate steps to halt the progressive loss of agricultural output from waterlogging and salinity. Priority will be given to drainage in order to prevent further loss of good land. At the same time a start will be made on longer term measures, some of which may still be experimental, to reclaim land which has gone out of use. There are also plans to bring new land under cultivation.

LONG-TERM PLAN

These proposals for conserving existing acreage and reclaiming lost land form part of a longer term overall water resources plan designed to make the fullest use of Pakistan's water supplies. This longer term plan includes proposals for the construction of dams, barrages, canals and tube-wells, and will in the aggregate involve large amounts of capital expenditure living near subsistence level, this is a formidable task. We were impressed by the determination with which the Minister of Finance is approaching the fiscal problem. We also feel that it is important that the fiscal and monetary authorities should be alert as to the part monetary policy can play in restraining inflationary pressure and helping to bring about a more economic allocation of investment resources.

The Government is quite clear as to the role which it assigns to public and private enterprise within the Plan. Apart from certain social needs which are met in almost all countries by public expenditure, and apart from the qualification that whenever private funds and initiative are not forthcoming in other essential areas the State will have to undertake the investment itself, Government believes that as much as possible should remain within the private sector. Again, officials have told us that outside the field of public utilities it is Government policy to return to the private sector any publicly-owned or operated enterprises as soon as feasible.

To summarize our main impressions. First, the rates of increase in output and per capita income envisaged by the Plan are modest. But if they are to be achieved the problem of mobilizing the necessary domestic resources will require strenuous efforts by the Government and continuing austerity for the people of Pakistan. On the assumptions of the Plan an increase in external foreign assistance of about 30 per cent. will also be required for development purposes.

Secondly, we would like to endorse the priority which the Plan gives to increasing agricultural output, We have been impressed by the determination of the Government to achieve this objective. Their only uncertainty is whether the organisational problem of arranging adequate and timely supplies of fertilizer, seed and credit together with, improved marketing arrangements will take longer than the Plan envisages.

Thirdly, the emphasis on industries which save imports or increase exports, and are based on local skills and resources seems to be dictated by the realities of Pakistan's economic circumstances.

Finally, we have beben told that under the administrative procedures which the new Government has introduced all development expenditure will be reviewed annually, and that each year's Budget will only sanction development expenditure to the extent to which resources are available to meet it. We believe that this kind of year to year review of the progress of the Plan is essential if expenditure is to be adjusted to meet changing economic conditions, and, we feel that we must stress the need for the Plan to be so phased that it can be kept flexible.

In making these observations we have not taken into account, indeed it would have been impossible for us to do so, the impact of the Indus Waters Scheme on Pakistan. We understand that while the Scheme is of great im-

Plan was taking shape. In these circumstances, we can do no more than discuss the problems of the Third Plan in rather general terms.

The problems facing those responsible for drawing up the Third Five Year Plan need to be looked at against the background of experience with the two preceding Plans. When India achieved independence in 1947, she was faced not merely with the problems left by the war and the consequences of partition, but with the need to speed up the process of development which would yield higher living standards for a population the bulk of whom were living near subsistence. The economy was largely agricultural, the main industries being the traditional manufacture of cotton and jute textiles, and, while some other industries had grown up in the decades before independence, their rate of expansion had not been strong enough to meet the needs of an increasing population, let alone provide an adequate base for further development.

In 1951 India embarked on its First Year Plan, although officials have told us that the word "Plan" is something of a misnomer since it did little more than pull together various schemes for economic development that had been started by the Central Government and the States in the postwar years. Although the planned increases in investment were relatively small and not entirely fulfilled unusually good harvests during the last three years of the Plan contributed to an atmosphere of achievement. The expansion of agricultural output and income not only supported economic growth elsewhere in the economy, but also strengthened the balance of payments position and exerted a strongly stabilizing influence upon the price level.

Perhaps influenced in part by the good fortune attending the First Five Year Plan period, the Indian Government raised its sights considerably in developing the Second Five Year Plan. This called for major increases in investment in agriculture and there was a new emphasis on investment in basic industry and in various resources development projects in the public sector. Partly because the tempo of investment was stepped up so sharply, and partly because of the swing of fortune in the other direction, the Second Five Year Plan ran into difficulties. Unexpectedly heavy food import requirements appeared as lean years in agriculture succeeded.

TO BE CONCLUDED

plan designed to make the fullest use of Pakistan's water supplies. This longer term plan includes proposals for the construction of dams, barrages, canals and tube-wells, and will in the aggregate involve large amounts of capital expenditure over a decade or more. In certain instances these schemes form part of multi-purpose projects designed also to supply industrial power. A certain number of these large slow-maturing projects are essential to provide for the future growth of the demand for power and to extend irrigation over the wider area required by a growing agricultural population.

But there is a risk that too much capital and technical resources can get locked up in these big schemes so that the investment programme becomes inflexible. We feel that striking a balance between large projects and smaller schemes which yield more immediate returns, this problem of phasing should be kept under constant review.

The pattern of industrial development which the Plan proposes is largely directed to the need for supplying the agricultural sector with manufactured equipment and supplies, and providing for the processing of agricultural output such as jute, cotton and sugar cane. Of equal importance in determining the pattern of industrial development is the chronic shortage of foreign exchange which, as the Plan recognizes, must imply concentration on investment in industries which will either save imports or increase export earnings. In consequence, the Government will be forced to exercise a selective control over the establishmnt of new firms and industries for some time to come, and will hold the power to prevent expansion or enforce contraction in existing industries. The exercise of this power in a country in which administrative talent is spread so thinly obviously presents certain hazards.

A critically important aspect of the Second Five Year Plan is the problem which it poses for internal financial policy. We were told that, if the Plan is to be implemented without undue inflationary pressure, about 25 per cent. of the projected increase in per capita income will have to be absorbed by saving, public or private. In a country such as Pakistan where real incomes are so low, and much of the increase in income will be widely spread over a population

In making these observations we have not taken into account, indeed it would have been impossible for us to do so, the impact of the Indus Waters Scheme on Pakistan. We understand that while the Scheme is of great importance to both India and Pakistan, the finance planned under the Scheme is mainly for works in West Pakistan. It appears to us therefore that when the Scheme is being realized it must have a significant impact on the Pakistan economy. It will be of real importance to assess this impact correctly in relation to the Second Five Year Plan from the point of view of the incomes it will generate among a large labour force and the inevitable calls on technical and professional manpower which will arise even if the works are undertaken by foreign contractors.

THIRD 5-YEAR PLAN

We arrived in Delhi on the 24th February and spent the next week in discussions with Ministers and officials. Between the 2nd and 5th of March we visited Jamshedpur Rourkela, Maithon, Asansol, Sindri and Calcutta. After visiting East Pakistan, we returned to Calcutta on the 8th March. and then left for Southern India. visiting Madras, Bangalore and Mysore. During this time we were able to visit a range of industrial installations, community development projects and other development schemes and to talk with many officials of State Governments and private businessmen. We returned to Delhi on the 12th March to complete our work. Pressure of time prevented us from visiting Bombay, as originally planned, and we very much regret that we did not have the opportunity of visiting this important centre.

The Indian Government has just finished the preliminary draft outline of its Third Five Year Plan, to take effect from the 1st April, 1961. A great deal of work has already been done in bringing the draft Plan into a form in which decisions on it can be taken both by Union Ministers and by the State Governments, which is necessary under a Federal constitution. But, as these decisions are still in the course of being taken, the Indian Government has not been able to do more than explain to us the way in which they were approaching the Third Plan, and provide us with estimates of the general orders of magnitude in which they were thinking so that we could see broadly how the scale and balance of the

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BANKERS' MISSION REPORT—II

PERHAPS influenced in part by the good fortune attending the First Five Year Plan period; the Indian Government raised its sights considerably in developing the Second Five Year Plan.

The called for major increases in investment in agriculture and there was a new emphasis on investment in basic industry and in various resource development projects in the public sector. Partly because the tempo of investment was stepped up so sharply, and partly because of the swing of fortune in the other direction, the Second Five Year Plan arn into difficulties. Unexpectedly heavy food import requirements appeared as lean years in agriculture succeeded the unusually good harvests during the First Five-Year Plan; budgetary difficulties generated inflationary pressures; and a burst of private import demand so heavily drained India's foreign exchange resources as to force abrupt cutbacks in the programme in 1957. Emergency assistance provided by a number of foreign countries prevented a breakdown of the Plan and with this help the Indian Government has succeeded in carrying the Plan ahead on a somewhat reduced scale.

Despite the disruptive effects of the foreign exchange crisis, much of the heavy investment undertaken since 1956 is beginning to bear fruit. Three new stel plants are coming into operation and will shortly increase India's steel-making capacity from about 2 million tons to 6 million tons. There has also been a substantial growth in industries such as locomotives, vehicles, machine tools, chemicals and electrical engineering. Agricultural production has been rising, but the rate of increase has lagged considerably behind the growing food requirements of an expanding population. This is partly attributable to unfavourable weather, but also to delays in fertilizer production and various irrigation schemes, and to difficulties in securing effective action at village level.

In brief summary, India's experience with planning since 1951 has inevitably involved a number of miscalculations from which much seems to have been learned. Despite all the difficulties the basic result of the First and Second Five Year Plans has been to start the process of development moving at an accelerated pace. The Third Five Year Plan proposes to take this process one stage further.

The main objectives of the Five Year Plan as outlined to us by senior officials are:

(a) to secure during the Third Plan a rise in national income of at least 5 per cent. per annum the pattern of investment being designed also to sustain this rate of growth during the subsequent plan periods;

(b) to achieve self-sufficiency in foodgrains, and increase other agricultural production to meet the requirements of industry and exports;

(c) to develop basic industries such as steel, fuel and power and, in particular, machine-building capacity, so that the requirements of further industrialization can be met within a period of 10 years or so mainly from the country's own resources;

(d) to ensure a substantial expansion in employment opportunities; and

(e) to bring about a reduction of inequalities in income and wealth and a more even distribution of economic power.

In framing the plan the Indian Government is faced with a number of exceedingly difficult decisions. On the one hand the Government feels that if it is to achieve the twin objectives of a gradually rising standard of life for the Indian people and reducing their dependence upon foreign aid, a very substantial investment effort is required now. In the mind of the Government the urgency of stepping up the investment effort during the Third Plan period is further reinforced by the expectation of a substantial growth in population over the next decade. On the other hand, both Ministers and officials recognize that the political pressures existing in a democratic society, which has only recently gained independence, impose a definite limit on the sacrifices of immediate consumption to the needs of the future which the Government can ask of its people. Further, even if the community is prepared to accept the maximum sacrifice called for by the Government, there would remain the complex administrative task of actually securing the requisite increases in taxation and saving from a population most of whom are living dangerously close to the subsistance level. This dilemma of choice between present and future needs is particularly acute in the balance of payments area where Indian officials are aware of the risk that an excessively high investment level might overtax India's foreign exchange resources, including whatever aid may be supplied by friendly foreign governments, and precipitate another balance of payments crisis.

In its present tentative form the Plan calls for a very substantial increase of investment from the $13.8 billion now scheduled for the Second Five Year Plan to $20.9 billion during the Third Five Year Plan, distributed as follows among the major sectors of the economy:

AGRICULTURE AND COMMUNITY DEVELOPMENT

Agriculture and Community Development Rs. 2.8 (B); Irrigation—Rs. 1.3 (B); Power—Rs. [illegible] (B); Village and small industries—Rs. 0.9 (B); Industry and minerals—Rs. 4.8 (B); Transport and communications—Rs. [illegible] (B); Social services—Rs. 3.4 (B) and Inventories—Rs. 2.1 (B).

Total Rs. 20.9 (B).

This volume of investment is expected to raise per capita income, after allowing for an expected population growth of nearly 50 million, from about [illegible] to about 74 dollars per annum. Mobilization of the internal financial resources required for an investment programme of this magnitude would require an increase in the rate of saving, public and private, from 8 to 12 per cent, including substantial increases in taxation. On the balance of payments side, over the five year period this investment programme is expected to open up a gap requiring $6.5 billion in foreign aid. In terms of annual rates, this would imply an increase of nearly 45 per cent over the amounts (including drafts upon exchange reserve) utilized by India during the Second Plan.

Without atempting an overall judgement on the dimensions of the Plan, we would like to put forward the following observations:

(a) the targets set by the Plan in terms of increasing per capita income and laying the foundations for self-sustaining growth are in themselves relatively modest;

(b) whether the volume of investment projected will reach, fall short of, or over-shoot the income and other targets specified depends on certain assumptions with respect to capital-output ratios, which inevitably involve a great deal of guesswork. Quite apart from the statitical diffciulties inherent in estimating and applying such capital-output ratios, the unpredictable effect of changing monsoon conditions upon a predominantly agricultural economy introduces into the Plan an element of chance which should be realistically assessed both by the Government of India and by the Governments from which development assistance is sought;

(c) the Plan would unquestionably require sacrifices in the form of increased taxation and savings which present a challenge to the political possibilities and the administrative efficiency of the Indian Government.

(d) the Plan calls for a sufficiently large increase in external assistance to require detailed study of the Plan by aid-giving governments who have to consider domestic claims upon their resources, and the investment needs of a number of other underdeveloped countries.

On the question of the balance struck by the Plan in allocating investment expenditure among the various economic sectors in accordance with relative priorities, we can only put forward some tentative impressions. The principal ones are:

(a) agriculture is stated to have first priority. We have been told that if more could be done for agriculture by diverting additional investment resources to this sector it would be done. We believe that this should be done if it proves to be appropriate, and we hope that regional and departmental demands upon India's limited resources will not override the order of priorities set by the national interest. In this context we have been impressed during our tour by the extent to which the demand for fertilizer by the farm community appears to have grown: we hope that every effort will be made to find within the Plan adequate resources for constructing the fertilizer plants upon which the objective of agricultural self-sufficiency so heavily depends.

(b) the industrial programme is solidly founded upon the availability of domestic raw materials and power, and offers extensive scope for providing not only producer's goods, but also the kinds of consumer's goods which an expanding economy will need, while simultaneously saving foreign exchange. We are impressed with the comparative cost advantages India at present holds in producing steel and certain other metal manufactures, both heavy and light.

(c) the industrial programme is likely to encounter difficult problems of phasing. For example, the plans for further expansion in steel making capacity do not seem to be ambicious when they are set against the present level of imports and the probable growth in the demand for steel. But it will probably

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be some time before the steel plants which are nearing completion are working at optimum rates, and the desirability of achieving the most efficient utilization of existing capacity needs to be looked at when deciding upon the desirability of expanding capacity further. Again, as an example, the expansion of cooking coal output needs to keep pace with the growth in steel making capacity and the requirements of the fertilizer industry: efforts should be made to see that difficulties in expanding coal output do not prove a bottleneck;

(d) both the agricultural and industrial development programmes will impose heavy demands upon scarce resources of managerial and technical skills. This is particularly true in the case of agriculture, where the problem of educating more than 50 million farmers in improved cultivation techniques must clearly be approached on a selective basis rather than thinly dispersed over the entire agricultural front.

In framing their development plants, the Indian Government has also faced a serious dilemma of choice between direct public action and reliance on private enterprise. While certain major projects of power and water Development are beyond the capacity of private enterprise, it has proved extremely difficult to establish clear-cut dividing lines in other areas in which the relative efficiency if private as against public enterprise still remains to be tested. There has also been some tendency for cut backs in development planning to fall primarily upon the private sector where relative priorities are less readily identifiable than in the public sector. On the other hand, the prevailing scarcity of all types of manufactured goods has created the risk that Government allocation of exchange, credit and other resources to individual private enterprises may confer a virtual monopoly position with the consequent danger of abuse. While recognizing the natural desire of the Government to prevent such abuse, it should be remembered that intervention in the form of extraordinary taxation or price controls designed to protect the general public may sometimes frustrate the normal market process through which high profits in one area attract capital and other resources from other less profitable uses. If the issue of public versus private enterprise has lost some of its sharpness, it is because it has become more widely recognized that both sectors of the economy have their contribution to make.

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World Bank Report

THE World Bank Report made public the other day is a realistic appraisal of Pakistan's economy. The hard fact brought out by the report is that, if we are to attain an increased degree of prosperity, or, if we are to even maintain the low standards of the present, we must work hard in the coming years. Further. no matter how hard we work, our chances, of success are gloomy if we do not receive liberal foreign aid from the "have" nations. The gist of the report is that, assuming we work hard along the right directions and given the foreign aid we need. it will be years before we can achieve some measure of economic well-being. The friends of Pakistan should study the report and then alone will they realize the magnitude of the task. This is important because, without their help, Pakistan cannot succeed in uplifting its people and, without such progress here and in some other developing nations, the well-being of those at present prosperous could be jeopardized.

Both Pakistan and India, the report asserts, are caught in the "familiar vicious circle of low incomes, low savings, and continuing low income, which could not be broken effectively without an inflow of capital funds from abroad." The report notes that both countries have been suffering from a shortage of foreign exchange and had been forced to impose strict import licensing. Again, both countries faced shortage of managerial skills and were confronted by population increases. Both countries have to provide for extra food and are dependent on foreign aid not only for our development projects but also for many essential imports.

Priority in the Second Five-Year Plan is rightly given, as the report points out, to attaining self-sufficiency in food. That is the pre-requisite to success in other spheres of the Plan. Attention is also paid to the menace of water-logging and salinity which snatch 70,000 acres every year of land from production and lay it waste. Emphasis has also been placed on developing industries which save imports, encourage exports and are based on local skills and resources. A healthy aspect of the Second Plan is that, under the new administrative procedure adopted by the Government, development expenditure will be reviewed every year and adjustments can be made where needed. The report has pointed out that the rates of increase in output and per capita income envisaged by the Plan are modest and, even then, "strenuous efforts" are needed to marshall internal resources—not to mention the foreign aid required.

The Second Plan aims at achieving a 20 per cent increase in national output by 1965. With population expected to increase by 10 per cent, the Plan envisages an increase in income per head of about two per cent per annum. Even this modest goal cannot be met except through strenuous efforts. Of the Rs. 19,000 million needed for the Plan, the Government can get Rs. 11,000 million internally and another Rs. 1500 million in private foreign investment other necessities required by 18 to 20 per cent increases in population over the next ten years.

What are the main economic problems of Pakistan? At the time of Partition, Pakistan had no industries worth the name. In recent years it has been faced with "stagnation" of agricultural production. The report mentions "the lack of effective action" to educate the farmer in improved production techniques, or to provide him with adequate supplies of seeds, fertilisers, pesticides and credit as contributing to the agricultural morass. To these, may be added the absence of land reforms, severe droughts. the devastation caused by floods. the damage done by locusts, and the uncertainty and irregularity of canal waters. Whatever the causes, the fact remains that, with her population increasing and food production lagging behind, Pakistan had a food deficit that was a heavy drain on its foreign exchange earnings.

As far as the First Five-Year Plan of Pakistan is concerned, the Plan has fallen far short of its targets in most fields—and the Plan was not over-ambitious to start with. The adverse terms of trade had been an important contributory factor to the situation. With the prices of our exports stationary or lower, and the prices of our imports constantly increasing, we must export two times as much as we did ten years ago in order to maintain our level of imports of that time. This is a serious situation and Pakistan has been drawing international attention to it for severa years. Had the world listened to its pleadings to stabilise the prices of the agricultural products, the developing countries would no have lost Rs. 2.600 millior during the 1957-58 recession. The result is that we

leaving a substantial gap that can only be met by additional foreign aid. This has also been emphasized by the report, which has called for an increase of at least 30 per cent in the foreign aid. The report is a reminder to the people of Pakistan that theirs is a hard road and to Pakistan's friends that their assistance is vital. This is a moral duty because the industrialised nations, with 14 per cent of the world's people, enjoy 55 per cent of the world's income. It is also plain commonsense dictated by enlightened self-interest.

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THE TIMES OF KARACHI

BANKERS' MISSION REPORT III

THE pattern of industrial development in India has been primarily conditioned by the shortage of foreign exchange, and the consequent necessity of giving priority to industrial projects which either earn or save foreign exchange.

In this state of economic development, it is perhaps natural that import saving projects can be more easily defined and incorporated into policy than export projects for which markets still have to be found. On the import saving side, much progress is being made. In a number of important instances, moreover, import saving possibilities have coincided with major opportunities of exploiting rich natural resources in the way of iron and coal. India is now among the cheapest steel producers in the world.

The emphasis given in the programmes of industrial development to import saving by no means implies, however, that the import requirements of India will necessarily follow a declining trend over the next 5, 10 or 15 years. On the contrary, it is likely that, as the Indian economy moves towards progressively higher stages of development, new types of imports required to sustain this progress will outweigh the economies achieved in other areas. The greater the pressure for rapid industrialization and general economic development the greater the likelihood that there may be a progressive racketing upward of import requirements. This further underlines the necessity of giving high priority to the investment of effort money and talent in the export field where the development of markets often takes a considerable time. But in fact India's exports have tended to stagnate in recent years and we have found no firm basis for confidence that export performance will materially improve in the near future. It is beginning to be realized that India's export base must be extended well beyond the traditional export items if sustainable economic development is to be realized. But an adequate export effort will require not simply sufficient export incentives for specific items in which India holds a comparative advantage in the world markets, but the creation of a state of export-mindedness.

The achievement of a substantial increase in exports will depend too on securing an appropriate degree of control over domestic consumption. For years to come the Indian Government will be constantly confronted with the harsh decision of choosing between consumption and export earnings. Perhaps the most basic policy decisions involved in such a choice between exports and consumption are those of fiscal and monetary policy. It is clear that inadequate coverage of Government spending by taxation or savings can generate inflationary pressures which may be restrained by import controls from directly using up scarce exchange resources but may nevertheless indirectly impair reserve availabilities by diverting potential exports to domestic consumption. Quite aside from this basic consideration, it may well be that selective tax measures will be reqoired to restrain domestic consumption of specific export items for which foreign markets are available.

Moneary policy is also relevant to the choice between consumption on the one hand and exports and investment on the other and clearly has a useful role to play in restraining any buildup of inflationary pressure. In this connection, there would appear to be some scope for mopping up excess liquidity still remaining in the Indian economy, and for a consideration of the appropriateness of the present level of interest rates. It may be that the relatively low rates prevailing create an illusion that capital is not actually a scarce resource. In general, we feel that it would be worth examining ways in which monetary action might be made a more effective weapon of economic policy.

In seeking to summarize our impressions of key aspects and problems of te Plan, we slould be inclined to stress the following:

(a) Our impression in talking to officials is that a good deal has been learned both about techniques of planning and techniques of economic control from the difficulties encountered during the Second Plan.

(b) The reed for effort to ensure success in agricultural policy cannot be overstressed, and we have found it difficult to be certain whether the implications of this have been fully realized in all quarters: Success will involve not merely effective management and administration over a very wide area, but the co-ordination of the activities of a number of Government Departments working in conjunction with voluntary organisations, and perhaps most important of all ensuring tnat the overall policy of the Union Government is effectively implemented by the individual States with whom the executive responsibility for agricult... policy rests.

(e) In inflationary pres... develops as the ... gramme moves ahead, ... cal and monetary ac... will need to be pr... and decisive.

(d) A strenuous effort sh... be made to diversify ... export base and ente... reign markets.

(e) Without passing ju... ment on the precise ... of the Plan we would ... gest that during the ... cess of finalizing the ... it would be desirable t... examine the importan... the marginal projects ... all appearances the Pl... a big plan, and if it ca... made more manageabl... the omission of some ... jects the need for whic... less immediate this in our view would be worth doing.

Finally, we have tried to assess the extent to which the Third Five Year Plan will be flexible—i.e. the extent to which it can be modified year by year to meet short run changes can be modified year by year to meet short run changes in the economic situation. Officials have told us that they are working out a detailed phasing of the Plan designed to allow the necessary room to manoeuvre; and that they are thinking in terms of different Plan variants which may be adopted to meet different circumstances; and that in terms of the allocation of foreign exchange they are trying to form a view about the relative priorities which will allow a hard core of essential industrial projects to go ahead, even if others have to be held back. We consider the maintenance of such flexibility critically important to the success of the Plan and to the effective untilisation of such foreign assistance as may be made available to India.

FOREIGN ASSISTANCE

The development programmes of India and Pakistan discussed above can only be made effective if a very substantial increase in foreign assistance above the amounts provided during the course of the Pakistan First Five Year Plan and the Indian Second Five Year Plan is forthcoming. The rough breakdown of figures of economic assistance both public and private required by India and Pakistan for their forthcominf Five Year Plan periods is as follows:-

Development Imports: India—Rs. 4.0 (B),
Pakistan—Rs. 1.4 (B):
Balance of payment support: (including foreign debt service)
India—Rs. 1.5 (B)
Pakistan—Rs. 0.3 (B):
Total—Rs. 7.2 (B).
Aid in food supply: (in particular P.L. 480)
India—Rs. 1.1 (B):
Pakistan—Rs. 0.2 (B);
Total Rs. 1.3 (B) and Grand Total Rs. 8.5 (B).

The decision as to how much aid should be provided is a matter for Governments and an independent Mission of private individuals cannot be expected to give a jurgment on matters of this kind. There are, however, a number of general questions concerning the scale, character and organisation of aid to which we feel we should draw attention.

The problems of the development of India and Pakistan cannot be approached in terms of a Marshal Plan concept embodying a fixed period of foreign aid assistance to highly developed industrial countries and designed to reach more or less visible targets of economic recovery. The fact that average per capita income in India and Pakistan is so low will inevitably mean that development will be a lengthy process possibly extending over a considerable period of time. It is possible that this process might be accelerated somewhat by political measures designed to operate the economy under forced draft with consequent grave loss of individual freedom. Both Governments have rejected this approach but we recognize that this decision renders both countries more heavily dependent upon outside assistance than would otherwise be the case.

If the assistance required were made available entirely in the form of long or short loans on normal commercial terms the resulting debt service liabilities would almost certainly impose an intolerable strain on the Indian and Pakistani balance of payments. This means that a substantial proportion of any aid provided would have to take the form of grants or loans not made on strictly commercial terms. The proposed International Development Association represents a recognition by Governments of the need for this kind of assistance to developing countries but the IDA is still in process of being established and its resources will be too small for it to play more than a minor role in providing external resources for India and Pakistan during the next five years. This means that if aid is provided on a considerable scale a substantial proportion of this aid would have to take the form of Government to Government assistance of one kind or another on liberal terms.

It is expected that a considerable number of Governments will participate in providing assistance for India and Pakistan, and this is likely to involve ultimately bilateral agreements bet-

(Continued on page 4)

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BANKERS' MISSION REPORT III

(Continued from page 3)
ween each of the aid-giving and aid-receiving countries. It will be of the first importance therefore to ensure that the policy of the aid-providing Governments with respect to the scale, form and terms of the assistance provided should be adequately co-ordinated. Otherwise there is liable to be a waste of resources and effort and unnecessary international friction. In the context of bilateral aid extended by a considerable number of governments, a reasonable measure of co-ordination should make possible the provision of aid which is not tied to the exports of a particular country. Multilateral aid of this kind provides the best way of getting the greatest benefit from a given volume of aid.

Foreign assistance on anything like this scale would create problems and responsibilities for both the countries providing and the countries receiving aid. It is the responsibility of the countries providing aid to recognize the national sovereignty and aspirations of the countries that they are assisting. On the other hand, countries receiving aid must recognize that the Governments of the aid-providing countries must satisfy their legislatures, and that legislatures will require to be assured that the aid-receiving countries' methods of handling their economic policies are realistic and that aid provided is spent on the purposes contemplated by the aid-providing countries. It would be natural for the aid-providing countries to pay particular attention to the determination which the aid-receiving countries show in pursuing such tasks as growing enough food to meet their needs and expanding exports. The necessity for discussions between aid-giving and aid-receiving Governments which this implies must be accepted as a necessary consequence of the democratic process.

Now that postwar reconstruction has been completed and substantial progress has been made in restoring a measure of international equilibrium, a beginning has been made with the problem of providing assistance for the economic development of less advanced countries. This beginning has largely taken the form of the provision by the Government of the United States of funds to meet particular needs together with relatively smaller measures of assistance by the United Kingdom and other Governments. The growing aspirations of developing countries and their desire to undertake larger scale development are becoming increasingly evident and seem to demand a broader basis of aid embracing a larger number of aid giving countries. This is likely to pose major problems for international economic policy in the years ahead.

Governments such as those of India and Pakistan when formulating their development plans would naturally wish to have some assurance about the foreign aid that will be forthcoming over the periods of the plans. The Governments of aid-giving countries for constitutional reasons are not in a position to appropriate expenditure for more than one year. We draw attention to this problem because of the genuine difficulties it creates both for those who receive and those who give aid.

course of development by removing the kind of barriers which restrict the export opportunities of developing countries. The process of development, and the growth of new areas of industry which it brings with it, must inevitably exert a profound influence on the whole pattern of international trade. If countries with longer established manufacturing industries resist this process of change by maintaining barriers to the free flow of trade, the space of development will be retarded, and more aid will be required.

We should also emphasize the need for economic co-operation between the developing countries themselves. We have been impressed by the disruptive impact of partition upon the economies of India and Pakistan. While considerable progress has been made in co-operation between the two countries, we would like to emphasize the need for policies which would promote further co-operation and foster trade of a complementary character, and reduce the danger of economic separatism. The trend of the times not only in Western Europe but elsewhere in the world strongly oriented towards international economic co-operation. Here on the sub-continent similar opportunities for co-operative efforts in the field of trade and exploitation of natural resources exist. It is obvious that such economic co-operation between India and Pakistan is not only to the advantage of both countries but also to the capital supplying nations of the Atlantic community.

Finally, whatever may be the final programme developed by the two countries both Governments need to bear in mind that there can be no assurance that the Governments of the more highly industrialized countries will be in the position to provide aid over the period of the Plans to the full amount requested. This underlines the necessity to establish flexibility in both Plans so that cutbacks in expenditure of lower priority can be made without disrupting the whole plans.

Before concluding, we should like to express our thanks to the Governments of India and Pakistan for the courtesy and hospitality with which they have received us. We are grateful for the opportunities which we have been given to see something of the progress of development in India and Pakistan, and we have been greatly helped towards better understanding of the problems confronting these two countries by the full and free discussions which we have had with Ministers, officials and private individuals. We were given every assistance in accomplishing the purpose of our Mission, and we would like to thank all those who have contributed to this end.

(CONCLUDED)

There is another point to which we should refer. Both India and Pakistan face the risk of crop failures from time to time. Over the period of the forthcoming Plans it cannot be expected that either country's foreign exchange resources will be large enough to finance imports of food on the scale which would be necessary. In recent years, the United States Government has made food supplies available under P.L. 480 to meet these needs. Should such crises recur, additional foreign assistance in some form over and above such support as may have been given to development plans, would be required if economic progress is not to be completely checked.

The role of private investment as a source of assistance for development must not be forgotten or under-estimated although its immediate impact is not likely to be large. It is important that the Governments of countries seeking aid should recognize that the flow of private long term funds is one of the sources of investment finance which more developed countries wish to foster and that if they are to use the potential sources of aid to the full they will need to create conditions which will attract private capital from abroad. Private foreign investors on the other hand should be prepared to accept that the Indian and Pakistani balance of payments difficulties imply that these countries can in general only accept private foreign investment of a kind that will either be import saving or export earning. An increased flow of private foreign investment will also depend upon the willingness of the capital-supplying countries to foster such an outflow of private funds. We are the more concerned to stress the importance of private capital from abroad because, as the economic structure of these two countries is brought nearer to viability with the help of Government to Government assistance, it should be possible to substitute the ordinary flow of private investment for the more exceptional forms of aid.

The more highly industrial countries can further assist the

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Shoaib Satisfied With Bankers' Report

HOPES FOR INFLOW OF MORE FOREIGN CAPITAL

KARACHI, April 24: Mr. Mohammad Shoaib, Finance Minister, said that the Bankers' report was "on the whole very good. They have discussed our problems very fairly."

He said he expected that as a result of the report "and the confidence shown by them in our economic policy, there will be more foreign capital forthcoming for investment in Pakistan."

He disclosed that he will be proceeding to Paris next week to attend the opening ceremony of the World Bank's Paris office scheduled for next Friday.

Mr. Shoaib said from Paris he will return to London to attend the Commonwealth Prime Ministers' Conference. He is expected to return to Karachi about May 13.

He said that second Development Plan "is foremost in our mind and naturally I shall explore every possibility of attracting foreign capital to ensure the success of the Plan."

About the Canal Water talks with India under the aegis of the World Bank, the Finance Minister said there was "no deadlock there and the talks are going on". He however said that there would be 'a short recess in the talks which will be resumed in London."

He further said that Pakistan's budget for the fiscal year 1960-61 will be announced on June 30.

IN HYDERABAD

Mr. Shoaib indicated in Hyderabad yesterday that the present coinage will cease to be a 'legal tender' from Jan. 1, 1962 onwards.

He was talking to newsmen at the Hyderabad Railway Station on his way to Karachi from Rawalpindi.

He said the Government will introduce the decimal coinage throughout the country, in all probability from the beginning of next year.—UPP/PPA.

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Front Page | Edit Page | Other Page JUN 24 19[illegible]

At World Affairs Council

Sproul Favors Large Aid to India, Pakistan

By LINDSAY ARTHUR
News-Call Bulletin Financial Editor

The risks and hazards of investing heavily in India and Pakistan are justified, Allan Sproul, noted banker, declared yesterday.

The course followed by the 500 million people in the two countries will have repercussions on the security of the U. S., he said.


ARTHUR

The former president of the Federal Reserve Bank of New York, now retired and living in Marin County, spoke at a luncheon of the World Affairs Council of Northern California in the Mark Hopkins Hotel.

EARLY LAST year, the U. S. Senate proposed a mission to study development of the two nations through economic aid.

Mr. Sproul; Herman Abs, chairman of the Deutsche Bank of Frankfurt, and Sir Oliver Franks, chairman of Lloyds Bank, Ltd., of London, were appointed by Eugene Black, president of the World Bank, as members of the private mission.

NO INSTRUCTIONS were given by the three governments nor by the International Bank for Reconstruction & Development, Mr. Sproul explained.

The three bankers spent six weeks in the two countries this past spring.

India's third five-year plan will begin in 1961 and Pakistan is about to begin its second five-year plan. In the case of India, projected development would require $6.5 billion in foreign assistance in five years.

MR. SPROUL said that it is possible these programs can be financed without increased aid from the United States.

The time has come," he declared, "when other industrial nations of the free world can and should participate more heavily in this investment.

"There are indications that this is being recognized and given effect."

Mr. Sproul called attention to the "test" between the free world and communism.

HE SAID claims of the accomplishments of totalitarian methods flood across the borders from Russia and Red China.

The banker, emphasizing that he was voicing personal views, said he "welcomes" the assistance given India by Russia and her satellites.

"I do not think this assistance will sway the political development of India, one way or another," he said.

Mr. Sproul noted that programs of aid to India and Pakistan are long term and huge in size. He said their development cannot be achieved without sacrifice.

THIS ELECTION year would be a good time to gain this understanding, Mr. Sproul proposed.

estimates—(00 omitted) except designated (*) which are trad 10-share lots and carried in full. dends: (a) plus extra; (b) pai year; (c) payment on accumulate dends; (d) declared or paid so fa year—no regular rate; (e) cash or (f) per cent in stock; (g) plus dividend; (h) capital distribution ex-dividend; (xrt) ex-right; (xd distribution.

Sls. Hd.	Stock Div.	High	Low	Clos	
	—A—A—A—				
3	Abacus Fd	42	41½	42	
9	AbbotL 1.80a	66	65⅜	65⅝	[illegible]
20	ABCVend 1ag	39½	37	39	+2¼
6	ACF Ind 2½	48⅛	47⅞	48	+ ⅜
9	ACF Wrig .40	12⅜	12⅛	12¼	
5	Acme Stl 1.20	24⅜	24⅛	24⅜	+ ⅞
7	AdamEx .30d	25¾	25¼	25⅝	+ ⅛
18	Adms-Mill .72	43½	41½	41½	—1½
26	Addresso .90	83½	80	80	—3½
24	Admiral	19½	18⅞	18⅞	— ½
14	Aeroquip .40	32¾	31⅞	32⅝	+ ⅝
1	AirCont .50	14⅞	14⅞	14⅞	— ⅛
15	AirReduc 2½	78¼	77	78¼	+1¼
15	AJInd	5	4⅞	4⅞	+ ⅛
1	AlaGas 1.60	28½	28½	28½	
16	Alco Prod 1	16	15¾	15⅞	— ¼
24	Aldens 1.20ag	50⅝	48⅜	50⅝	+2⅛
92	Allgh Cp	10⅜	9¾	9⅞	
20	Do 6 pf .60	35¼	34	34½	+ ⅜
36	AlleghLSt 2	40⅝	39	40⅝	+ ⅞
1	AllenIn 1.20	17¾	17¾	17¾	— ⅛
62	AlliedC 1.80	56⅝	55⅜	56	+ ¾
4	AlliedKd 1	17	17	17	
14	AlliedLb 1.20a	52½	51¾	51⅞	+ ¼
1	AlliedM 2a	35¼	35¼	35¼	— ¼
3	AlliedPd .15d	8	7⅝	7⅝	— ⅜
8	Allied Str 3	51½	50¾	51	— ¾
45	AllisChal .75d	31	30⅝	30¾	+ ⅛
3	Alph PC 1.80	32⅛	31⅞	31¾	— ⅛
78	Alum Ltd .60	31¾	31¼	31⅝	+ ⅛
21	Alcoa 1.20	86¼	85	85	—1
1	Amerac .75dg	37	37	37	+ ¾
44	Amerada 2	62⅞	61	61	+ ⅞
37	AmAgCh 1.60	25¾	25⅜	25⅜	— ⅝
89	Am Airl 1	21⅝	21⅛	21½	+ ¼
10	Am Bak 2.40	41¼	41	41	— ⅛
1	Am Bk N 1.20	36⅛	36⅛	36⅛	— ⅛
74	ABosch 1.20	22⅞	21⅞	22⅜	+ ⅞
5	AmBkSh 2.40	43⅝	42¼	42¼	+ ½
10	AmBPar 1	38⅜	36¾	36¾	—1¼
14	Am Cbl R.30	9⅝	9⅛	9⅝	+ ⅜
35	Am Can 2	38⅝	48⅛	38¼	— ⅜
2	Do pf 1¼	37	36¾	37	
3	AmCh&C 2½	48⅜	47½	47½	— ¾
4	Am Chicl.80a	65	65	65	+ ½
12	ACBarg .25d	18⅞	17⅝	18⅞	+1⅜
2	AmCryS 2ag	40¾	40	40¾	+ ⅛
65	AmCyan 1.60	57¾	56⅝	57¾	+1⅝
62	A Dist 1.60ag	59	54¾	58½	+4½
24	Am Elec 1.80	56¾	56⅛	56⅝	— ⅛
8	AmEnka .40d	20⅝	20¼	20⅝	+ ⅝
1	AEurS 3.98d	34½	34½	34½	+1
1	AmExprt 2	23	23	23	
35	Am&FP .25d	7¾	7¼	7⅜	— ⅛
9	AmHom 3.60a	191½	188	191½	+1¾
26	AmHosp .65	59	56	57½	+1⅝
3	AmIce .25d	17¾	17½	17½	
3	AmIntl .20d	14⅜	14	14	
1	AmInv 1	18	18	18	— ⅛
187	AmMFdy 1.30	67¼	65	65⅝	—2
3	AmMMet 1.60	46½	46	46	— ½
36	AmMtCl 1.20	21⅝	21	21¼	— ⅛
17	AmMetPd 1	18¼	18	18⅛	
536	AmMotors 1	23⅛	22½	22⅝	+ ⅛
8	AmNGas 2.60a	64¾	64⅝	64¾	
6	AmNews 1	29⅛	29	29	— ⅛
16	AmOptical 2	65¾	64½	64⅞	— ⅛
28	AmPhoto .60	69⅛	65	67⅝	—1⅝
18	AmPtsh 1.20	42⅝	42¼	42⅝	+ ⅝
7	AmSeat 1.00	30	30	30	— ⅜
1230	*AmShip 1b	124	120	122	
74	AmSmelt .75d	53½	52⅝	53	+ ⅝
10	*AmSnu pf 6	121⅝	121⅝	121⅝	+ ⅛
15	AmSAfr .20d	19¼	18¾	18⅞	— ⅜
25	AmStd .80	13⅝	13	13½	+ ½
22	AmStlFd 1.60	30⅜	30	30	
5	AmStrs 2ag	68¾	67¾	68¾	+ ¾
6	Am Sug 1.60a	28¼	27¾	27¾	— ⅛
70	Am T&T 3.30	90¼	89¾	89⅞	
18	Am Tob 2.30	57½	56⅜	57½	+1
150	*Do pf 6	121¾	121⅜	121¾	
22	Am Viscose 2	35⅛	34½	34½	— ⅛
14	Am Wat W .80	22¼	22	22⅛	+ ⅛
6	Am Zinc ¼d	16⅛	15¾	16⅛	+ ½
29	Amp Inc .80	69¾	68	69	
117	Ampex	37¾	36⅝	36⅝	
19	AmpBorg 1.40	53¼	52¼	53	+1¼
200	Anaconda 1d	50½	49½	49½	— ¼
30	Anc W&C ¼d	40½	4½0	40½	— ¼
5	Anhr HG .70d	40½	39¾	40½	+1¼
14	And POil 1.40	38⅜	37¼	37⅜	— ⅝
3	Arch Dan 2	33⅝	33½	33⅝	
3	Argo Oil 1.20	25⅜	25	25	
19	ArmcoStl 3	64	63½	64	+ ⅛
39	Armr 1.20ag	32½	31⅝	32	+1
11	Armst C .35d	47½	47	47	+ ½
16	Armst R 1.40	43	42¾	43	+1
1	Arvin I .50d	22¼	22¼	22¼	
5	AshldOil 1ag	19	18⅝	19	+ ½
2	Do pf 1½	30½	30½	30½	+ ½
1	As DrGds 2½	70	70	70	+ ⅜
50	*Do pf 5¼	104⅜	104¼	104⅜	+1⅜
27	Assoc I 2.60	54⅜	54	54¾	+ ¾
112	Atchison 1.20a	24⅝	23¾	24⅝	+1¼
134	Do pf .50	9¾	9⅝	9¾	
10	[illegible]				
48	CollinsR 4f	72½	70⅝	70⅝	— ⅛
18	ColoFlr 6f	23⅛	22	22¾	+ ⅞
1	Do pf 2¾	47	47	47	
22	CBS .70d	44⅝	44	44	
50	Col Gas 1	19	18⅞	18⅞	— ⅛
102	Col Pic 5f	19⅞	18¾	19	+ ⅜
3	ClCarbn 2.40	46½	46¼	46¼	— ½
7	ColSOE 1.80	49	48¾	49	— ¼
12	CombEn 1.12	25⅜	24½	24¾	+ ⅜
14	ComCrdt 2.80	60¾	80	60¼	
146	ComSolv .40	23¼	22⅛	22¼	— ⅝
10	Comw Ed 2	62⅛	61⅝	62	+ ½
50	*CEd 5¼pf5¼	107⅛	106½	106½	— ⅝
7	Comptmtr	14¼	13⅞	13⅞	
150	Conde Nst	12¼	11⅝	12⅛	+1⅛
1	Cone Mlls .80	13⅞	13⅞	13⅞	+ ⅜
9	Cong-Nan	9¾	9½	9½	
4	Cons Cg 1a	25½	25	25½	+ ⅜
25	Con Edis 3	65¼	64⅞	65¼	+ ⅜
7	Do pf 5	100	100	100	+ ⅛
52	Cons El .75d	58	57⅛	57⅛	
36	Cons Food 1	30¼	29⅞	30⅛	+ ⅛
6	Cns GU .90ag	25⅞	25¾	25⅞	+ ⅛
1	Cons Lnd 1.20	21⅛	21⅛	21⅛	— ⅛
19	Cons NG 2.20	45½	45¼	45⅜	+ ⅜
150	*Cons RRC pf	7⅝	7⅝	7⅝	— ¾
4	Cns Coal 1.40	30¾	30¾	30¾	— ½
17	Cons Pw 2.60	58¼	57⅝	58¼	
430	*Do4½ pf.50d	96½	90	90	— ¾
14	Container .25d	24⅞	24¾	24⅞	+ ⅛
120	*Do pf 4	88	87¾	87¾	— ¼
9	Cont Bak 2.20	38½	38¼	38½	+ ⅜
50	Do pf 5½	102	102	102	+ ⅛
96	Cont Can 1.80	38⅞	38¼	38⅜	— ½
10	*Do pf 3¾	79½	79½	79½	
35	Cont Cop 1ag	10⅜	10	10	— ¼
34	Cont Ins 2	55¼	54	55¼	+1
25	Cont Mot .60	9⅝	9⅛	9⅛	+ ⅛
65	Cont O 1.60a	48	47	48	+1⅝
7	Cont Stl 1½	35⅝	35⅛	35⅜	+ ⅛
10	Contr A .80	31¾	30½	31⅛	—1
9	Coopr Bs 1.60	31¼	31¼	31¼	— ⅝
14	Copeland Ref	30⅞	30½	30¾	— ⅛
66	Coppr Rng .50	17	16½	16½	— ⅛
7	Copw Stl 2	39⅜	38¾	39¾	+ ¼
19	Corn Pr 2.20	59⅛	58⅜	58⅝	— ⅛
3	Corn G .75d	177½	176	177½	+1½
16	Cosden Pet 1	19	18⅝	18⅞	— ¼
24	Crane Co 2	51	48⅝	50	+1¾
1	Do pf 3¾	75	75	75	+1¼
1	Crm Wh 1.60	36	36	36	+ ½
5	Crescent .25dg	19½	19⅝	19⅝	— ⅛
7	Do pf 1¼	25	24¾	24¾	— ¼
58	Crow C 4fb	29¼	28⅝	28⅞	+ ⅛
5	Crown Ck	31⅜	30¾	30¾	— ¼
21	Crown Z 1.80	45½	45	45¼	+ ⅛
37	Crucibl .80	21⅜	20⅝	20¾	+ ⅜
1	Do pf 5¼	95¾	95¾	95¾	+ ¼
120	*Cuba RR pf	5	5	5	— ⅛
3	Cubo A S .30d	14⅛	14⅛	14⅛	— ⅜
11	Cudahy Pk	9⅜	9⅛	9⅛	— ⅛
26	Curt Pub .35	10	9⅝	9⅝	+ ⅛
35	Curt W .50d	18	17¾	17¾	
5	Do A 2	31½	31⅛	31⅛	— ⅜
7	Cutler Hm 2a	89½	88½	89	+ ¼
	—D—D—D—				
14	DanRvr .80	13⅜	13⅛	13⅛	— ⅛
22	Dana Cp 2	33⅜	32⅝	33¼	+ ¾
29	Dystrm 1.20	46½	44⅝	44⅝	—1¾
6	DayPL 2.40	54⅞	54⅝	54⅝	— ⅛
16	Dayco 1.40	23⅝	23⅛	23⅛	— ⅜
30	Decca R 1.20	30	29⅝	29⅝	
19	*Deere 2ag	43½	43⅛	43½	+ ⅛
15	*Del&Hud 2	23	22½	22⅝	+ ⅛
16	*DelL&W	6¾	6⅝	6⅝	+ ⅛
49	DelP&L nont	38½	38	38½	+ ⅜
46	DeltaA 1.20	28⅞	28⅜	28¾	+ ⅛
49	DentSup 1	22⅜	20⅝	22⅛	+1⅝
120	DenvR 1	16⅝	15¾	16⅝	
4	DeSotoC .30	8⅞	8¾	8¾	— ⅛
10	*DetEdis 2	44⅞	44½	44½	
38	Det Stl 1a	19⅝	18⅝	19⅛	+ ⅝
3	DeVilb .60d	25¾	25½	25½	
8	DiaAlk 1.80	58	56¾	56¾	—1⅛
10	DiaNat 1.20	35¼	34¾	34¾	— ½
26	DnersCl 5f	20¼	19¼	19¼	— ⅞
13	Disny .40ag	31¾	31	31⅜	— ⅝
3	*DstS 1.20a	29⅛	29	29⅛	+ ⅛
10	DivW 1.20ag	24	23½	23½	— ⅛
3	DrPeppr .66	12⅜	12¼	12⅜	+ ⅛
4	*Dome M .70	17⅝	17¼	17¼	— ⅛
5	DomFd 1.21d	17¾	17½	17½	— ⅛
24	Douglas Ac 1b	29⅛	28⅝	28¾	— ⅜
2	Dover Cp 1.20	20¼	20⅛	20¼	+ ¼
25	Dow Ch 1.40	90⅞	90⅝	90¾	— ¼
32	Dresser .70d	20⅜	20⅛	20⅜	+ ¼
2	Drtwdys 1.60	26⅛	26⅛	26⅛	+ ¼
27	Dunhill 4f	11½	11	11	— ⅛
14	Duplan	8½	8	8½	+ ⅜
42	DuPont 3d	209	206¼	208	+ ¾
4	Do 4½pf 4½	100½	99¾	100½	+1
1	Do 3½pf 3½	78	78	78	+ ½
29	Duq Lt 1.18	24¼	23¼	23¼	— ¾

Sir Oliver Franks...

Defines the problem of the under-developed nations as follows:

"They face a vicious circle . . . Low living standards and free, broadly democratic societies cannot produce sufficient saving for capital. This circle can be broken in one of two ways. It can be broken by tyranny, which, by enforcing hardships on the people and holding down their standard of living, forces the savings for rapid development; or it can be broken by capital from outside which gives a free society the chance both to develop and to remain free.

"This vicious circle for country after country will be broken one way or the other in coming years. We have had evidence in the Middle East how real and how urgent these problems are. I do not understate when I say that the world balance will shift decisively against us if we fail."

h Africa, has shown a suddenly awakened interest.

56 there was not a single trade agreement between Africa ; by the end of September, 1959, fifteen agreements were in ugh African-Bloc trade is still a small percentage of the total, ised by 50 percent over the past five years, and at least 25 uinea's total trade is now committed to communist nations. dition to military and economic aid programs in Egypt, the 1 1959 extended a $100 million long-term, low-interest credit and at the same time announced several grants; Czecho- extended an unspecified line of long-term credit to Ethiopia; Jnion granted a $35 million credit to Guinea; Czechoslovakia d this with capital goods in exchange for products from Guinea a military aid mission; and communist China contributed a o the same country.

Jnited States has not yet concluded any aid agreement with he end of 1959 there was one American specialist working in English teacher provided by the United States Information

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International Team to Study Economy of India and Pakistan

SIR OLIVER FRANKS
Chairman, Lloyds Bank Limited, London

ALLAN SPROUL
Former President, Federal Reserve Bank of New York

HERMANN ABS
Chairman, Deutsche Bank, Frankfort am Main

As reported in our columns previously, Messrs. Abs, Sproul and Franks will asemble at Karachi, February 13 for a study of the economies of India and Pakistan.

Their selection was announced by Eugene R. Black, president, International Bank for Reconstruction and Development, which has been the agency through which negotiations have been conducted between the two countries for solution of Indus River water power and irrigation problems, the financing of which may require loan funds amounting to more than $1 billion from U. S., British, German and other sources.

Aim of the Sproul-Franks-Abs team will be to bring about a "wider understanding in the industrially developed countries of the problems confronting the less developed areas of the world." Its objective also will be in harmony with U. S. Senate Concurrent Resolution 11 sponsored by Senators Kennedy (D.) and Cooper (R.) passed during the last session, calling upon the Administration to explore with other Western Governments a joint study of the problems of economic development in Southeast Asia.

Vienna Invites World Bank For 1961 Annual Meeting

Vienna

The Austrian Cabinet has authorized Chancellor Julius Raab to invite the World Bank (International Bank for Reconstruction and Development) to hold its 1961 meeting in Vienna. The bank's 1960 meeting will be in Washington.

THE NEW YORK TIMES
THE NEW YORK HERALD TRIBUNE
THE WALL STREET JOURNAL
THE NEW YORK JOURNAL OF COMMERCE
THE WASHINGTON POST
THE WASHINGTON STAR
THE TIMES HERALD
THE WASHINGTON NEWS
THE TIMES (LONDON)
THE FINANCIAL TIMES
The American Banker

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$8.5 Billion Foreign Capital Needed By India and Pakistan for 5-Year Plans

Abs, Franks, Sproul Report

Washington

Foreign capital needs of India and Pakistan for their current five-year plans are in the neighborhood of $8.5 billion with Pakistan needing $1.9 billion and India $6.6 billion, according to views set forth in the report to the World Bank by three of the world's leading bankers who visited the two countries early this year on a study mission for the bank.

Their study presents "a bundle of opinions" and observations which will inevitably serve as background for financing of the billion-dollar, multi-nation Indus River Waters Utilization project.

Allan Sproul, former president of the Federal Rserve Bank of New York, together with Hermann Abs, chairman, Deutsche Bank, Frankfort am Main and Sir Oliver Franks, chairman, Lloyds Bank, Ltd., London, early this year visited the two countries at the request of the International Bank for Reconstruction and Development. Their report, available in reprints, does not take into account the impact of the Indus Rivers scheme, a still incompleted plan to divide the waters of this great river between the two nations and at the same time construct extensive irrigation and power development works. Cost of the plan, roughly estimated at over $1 billion would be underwritten by the World Bank and the nations of the Western World, chiefly the U. S., Britain and West Germany.

The World Bank, serving as mediator between Pakistan and India in the potentially explosive dispute over the use of the river, has brought substantial agreement on a practical plan of development.

Five-Year Plans Discussed

The Abs-Franks-Sproul report discusses the Indian and Pakistan economies and the problems of balanced agricultural and industrial progress to upgrade the standard of living of the growing populations.

Some measure of the scale of the problem is seen in the rapid growth of population, which in the current decade may amount to 18-20% of figures of Pakistan's 90 million and India's 400 million.

Current five-year plans envisage native and foreign capital investment with a goal of 5% per annum rise in national income to keep ahead of population growth and to provide capital for future expansion. India is now in its third five-year plan, Pakistan in its second.

The three bankers observe that past five-year plans have embodied inevitable miscalculations from which much has been learned.

For Pakistan primary attention is upon agricultural self-sufficiency, and the bankers voice approval generally of this program and of the pattern of industrial development laid out to support it.

For India, agricultural self-sufficiency also has a high priority. As to industrialization, priority is being given to development of basic industries to meet the needs of further industrialization with India's own resources.

Capital, Managerial Lack

Severest problems, according to the Abs-Franks-Sproul report, are the shortage of capital and foreign exchange in relation to the prospective needs of the two countries, and the lack of trained management personnel. Significant sentences in their report are:

"The most striking feature of the subcontinent's development problem is its sheer scale. Not only are real incomes low, but with a population of 90 million in Pakistan and 400 million in India, the capital resources required to generate even modest increases in real incomes are very large.

"Managerial talent is scarce and it may prove difficult to carry through decisions effectively in their detailed applications to the individual at the level of the worker and the farmer."

Large Grants Required

The three bankers' conclude that the scale of the problem rules out an approach similar to the Marshall Plan in Europe. India-Pakistan development will take many years and foreign exchange available will not meet the payment requirements of short-term loans.

They believe, therefore, that overseas aid for the development of the two nations must be to a large degree grants-in-aid or loans on very long term at non-commercial interest rates. The new International Development Association, the World Bank affiliate now in process of organization to make this type of loan, the three bankers observe, will be too small to play more than a minor role in the next few years. Thus much of the external financing must be "Government to Government" and "on liberal terms." Moreover, there must be assurance that once begun, the programs of financial assistance can be depended on in the years ahead.

$8.5 Billion Needed

The report indicates that, without taking into account the Indus Waters project, a sum equivalent to around $8.5 billion will be needed for the current five-year plans of India and Pakistan. This is divided as follows:

(In Billions)

	India	Pakistan	Total
Development Imports	$4.0	$1.4	$5.4
Balance of Payments Deficits	1.5	0.3	1.8
Food*	1.1	0.2	1.3
	$6.6	$1.9	$8.5

*Largely from U. S. agricultural surpluses.

ALLAN SPROUL

Former President, Federal Reserve Bank of New York

not PC

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HERMANN ABS

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