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THE WORLD BANK
Washington, D.C.

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President Black Papers - Travel Vol. 4 1953-58

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Archives



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Records of President Eugene R. Black: Travel - Travel 04

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Tours - Black

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 25, D. C.

Capetown, South Africa
March 20, 1958

Dear Raymond:

I am sorry not to have written before, but you can imagine the rushed kind of life we have been leading. Every minute has been jammed and I am taking the chance now on the plane to Cape Town to tell you a few things.

We are all very disappointed that Mrs. Black could not come. Mr. Black has been very worried about her but he managed to get through on the 'phone last night and was much relieved to hear that she was once again up and around.

London and Brussels were both very hectic. I wonder if Johnnie Miller has given you a full report. I hope so. Mr. Black gave Dave Sommers a very quick briefing in Brussels, but perhaps all the points have not got home.

At a meeting with Sir Jeremy Raisman several matters were discussed. Raisman talked about a code of ethics for international borrowers (he did not think too much of the proposals being put forward by the Germans), and asked whether someone from the Bank could attend the next meeting of the International Chamber of Commerce at which this subject was going to be taken up. Mr. Black promised to send someone (probably Dave Sommers) and asked Raisman to write a letter about it.

In passing, I should say that Sir Hartley Shawcross has also spoken to Mr. Black on this general subject (but I was not at the meeting) and asked him to address the International Bar Association (at least I think that was the body) on the subject at their meeting in New York. Mr. Black told him to write a letter, too.

To get back to Raisman -- He raised the question of a new head for ICICI. It was agreed that the Indian (Desai ?) was not suitable. Raisman raises objection to the Italian whom Jeff Rucinski had seen in Europe and Mr. Black agreed that he was in some respects not a particularly good candidate. Mr. Black then spoke strongly in favor of Yoxall (spelling?) of the Ceylon Development Bank and it was agreed that he should be approached.

To wind up, Mr. Black got Lloyds to take a substantial deposit of the Bank's short-term dollars on the same terms agreed with the U.S. banks. He had already sold the Chartered Bank's the same deal that morning. You have probably had the details from Henry Riley or George Martin.

Before lunch with the Chancellor there was a brief discussion with Makins and Rowan. The main items were the U. S. recession and its effects on the UK (not much effect yet), the Monroney proposal (a description by Mr. Black), the status of the Indus Waters discussions, and the latest news on Suez. At that time, it looked as if the Indus compromise might be accepted by both sides and Mr. Black made the point that this would require a lot of money, some of which would have to come from the UK. Makins and Rowan did not say anything.

Copy in U. K. Gen. Neg
copy of para. 2 page 3 in
South Africa - Gen. Negs-

Mr. Black also mentioned the Japanese request for a loan to finance a nuclear power plant to be bought in the UK. He pointed out the embarrassment over the question of international bidding and put forward the idea (which he had already discussed with Harcourt) that things would be made easier if there could be a joint operation with London. Makins and Rowan did not seem entirely unreceptive but they made no commitment.

Luncheon with the Chancellor was interesting but did not produce much. The Chancellor apologised for not having come to a decision on the UK Nuclear Power proposal. At one point he rather casually asked Mr. Black whether it was true that the UK could raise money in New York only with a participation by the Bank. Mr. Black said yes, but later in the day, after thinking it over, he called Rowan to say that he thought the UK might be able to borrow alone.

The afternoon was taken up with various comings and goings in most of which I did not participate (discussions with Johnnie Miller and Bill Ventimiglia about the Paris office, for example) and I have nothing to report. In the evening we ~~all~~ went to "King Lear" at the Old Vic with the Cobbolds and Betty Harcourt. All I can report on that was that it was so grim that it reduced us to laughter at times. The more serious-minded patrons were shocked at our behavior!

In Brussels we paid a courtesy visit to Lilar and later talked for some time with Van der Abele. He gave us the latest situation on the Belgian Congo proposal to borrow in New York. He said it would be without the Belgian guarantee. We also talked about Inga and ^{Koriston} and Van der Abele said that the Belgian and French Governments had just entered into discussions as to the relationship between the two projects. The Belgians naturally hoped to reach agreement on an arrangement to sell Inga power to the French instead of ^{Koriston} power.

Later in the day we talked with Ansiaux. The main subject discussed was the proposed Belgian Congo issue in New York. Ansiaux had a strong feeling that this should be with the guarantee of the Belgian Government as he did not think that Belgian credit in New York should be divided between the Metropolitan Country and the Congo. Mr. Black pointed out the difficulties this would raise between Morgan Stanley and Dillon Read but agreed in principle with Ansiaux. He suggested that perhaps the best way out was to have this forthcoming issue carry the Government guarantee and be put out by Dillon Read, but it should be made clear to all concerned that in the future there would be only one underwriting house in New York for Belgian (whether Metropolitan or Congo) issues. It was left for Ansiaux to talk to the Ministers of Finance and Colonies and of course we have heard nothing since. Dave Sommers was present during at least the last and crucial part of this conversation so you can get the full details from him. Personally I think that the proposed issue in New York is so far advanced that it will not now be possible to change it. We shall, however, presumably be seeing Kingman Douglas in Salisbury within the next few days and will know more at that time.

Nothing of significance happened in the Belgian Congo. We had a hot visit which was interesting as far as the country was concerned although the people struck us as being a bit dull, but this was possibly due to the language barrier. (Miss Linahan says it was the heat too.) There was of course the usual difficulty that on any major point of principle they all said the ^{word} agreements would have to come from Brussels.

* He was afraid that if, in the end, the Congo defaulted, Belgium would have a moral commitment to pay up. He therefore preferred to have an explicit commitment from the

King Douglas says the issue is going ahead without the guarantee.

Kingman Douglas

March 20, 1958

In South Africa we have had an extremely heavy schedule, many things having been added to the original program. We are all practically dead on our feet but carrying on manfully (^{and}womanfully).

The South Africans have raised the question of further borrowing and Mr. Black has told them that we would be prepared to lend up to another \$50 million on a matching basis with the market. That is to say, every time the South Africans were able to float an issue the Bank would be prepared in principal to lend an equal amount either simultaneously or at some time close to it. This could go on until the Bank had invested a further \$50 million in South Africa. It looks as though both the Railways and ESCOM would be interested and, although nothing was said as to timing, we might well have a request before the end of the year.

While they skirted around about the questions of the ten-year term and what might be a "reasonable" rate of interest in borrowing in New York, nothing new developed on either point and we stood firm. Mr. Black said over and over again to the various people we saw that the calls on the Bank's resources are to be so great in the future that unquestionably countries with credit such as South Africa^s would have to go to the market to be eligible for Bank loans.

We must start running again right now, so must stop.

As ever,

lik

Mr. S. R. Cope
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington 25, D. C.

MAR 21 8 44 AM 1958

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Handwritten signature

Mr. S. R. Cope
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington 25, D. C.

MAR 21 8 44 AM 1958

STATEMENT BY EUGENE R. BLACK, PRESIDENT OF THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT AND CHAIRMAN OF THE INTERNATIONAL FINANCE
CORPORATION, ON ARRIVAL IN BRUSSELS

I am making this brief stop in Brussels at the invitation of the Belgian Government in preparation for my forthcoming visit to the Belgian Congo. This visit is part of my normal program of familiarizing myself firsthand with the countries and territories in which the Bank has an interest. I am not going to be negotiating any loans in the Congo. I plan to meet with government and business leaders and to see something of the country to the end that relations between the Bank and Belgium, already very cordial, may be strengthened.

Mrs. Black and I are grateful for all the hospitality that has been accorded to us.

Tours. Black

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 25, D. C.

Nairobi, Kenya
April 3, 1958

Dear Raymond:

Thank you very much for your second letter, dated March 18th, which I got at Victoria Falls. You have been a much better correspondent than I have but there has not been a great deal to report from this end and I am sure Sandy Stevenson will have told you about what took place in Rhodesia.

Your news was interesting but somewhat depressing. The Moroccan claims on Miferma are rather disturbing. I wonder whether the non-French interests are showing any signs of backing out of the project?

You might like to know that Mr. Black was not altogether happy about the proposal to waive the negative pledge clause for an Austrian issue in Switzerland. He will want to know the full story when he returns. I explained to him that it was probable that if we did not waive our rights we would in effect be denying the Austrians access to the Swiss market and I assumed that it was on this basis that Dave Sommers had agreed to the waiver.

We have just brought our Kenya visit to a close and still have Uganda to go. In Tanganyika not very much took place but Mr. Black asked whether there was any need for an Industrial Development Bank. Some of the business men we talked to seemed interested and suggested it might be better done on an all East African basis so we have again taken up the question in Kenya where we find opinion divided. However, there is some interest and we have told them that if they can get together enough people to back such a project we would be glad to take a look at it.

The main topic in Tanganyika was of course the survey mission. We discussed this in very general terms but left it up to Bill Diamond and Pat French to go into it in more detail. I would say, however, that when we got to Kenya and mentioned this proposed Tanganyika survey a number of the people here thought that it would make more sense to do the survey on an inter-territorial East African basis. Mr. Black was impressed with this point of view and has mentioned to the people here that if the three governments would prefer to have an all East African survey we would be just as interested in looking at such a proposal. However, they would have to act quickly because so far we had been asked only for a Tanganyika survey and arrangements for it were moving forward. I have explained to Mr. Black that there would be political problems about having an East African survey as distinct from a solely Tanganyika one. (The U.K., for example, would probably be concerned lest the Uganda Africans saw such a survey as a move toward greater association with Kenya.) On the other hand this may result in each territory seeking a survey of its own and while some deference to this arrangement may be paid, it would of course be a mistake to have the thing too complicated.

Copy para 5 - Tanganyika - Gen. Ngs.

April 3, 1958

There are private power projects cooking in both Tanganyika and Kenya. The one in Tanganyika is more pressing and they are actively seeking financing which at the moment they hope to raise from CDC and possibly CDFC. The Kenya one will not take place for a year or two but it looks like a good project if they eventually bring it to us. It is for hydro-electric development and is called the "Seven Forks Project". This is the rival of the proposal for a second dam on the Nile in Uganda and we would have to look into the relative merits of the two since there may not be room for both at once.

The Railways and Harbours Administration may well come forward toward the end of the year for a fairly small loan, mainly for deisel locomotives and rolling stock. We have told them to put it forward in the normal way.

One thing which Mr. Black has firmly in his mind is that it is important in Africa that the Bank undertake projects (even though small ones) which are clearly for the benefit of the Africans. He quite sees that this will almost certainly require "local local" currency financing and he seems almost ready to break the rules in order to achieve the objective of demonstrating to the Africans that the World Bank can do something for them. I have a number of ideas on this which I would like to start working on as soon as I get back.

I should mention that in Tanganyika there is a private sugar scheme in which the sponsors are trying to interest the IFC. Mr. Black seemed somewhat attracted by it because it includes an endeavor to bring African capital into a project. Personally, I am somewhat dubious about the feasibility of the plans for the local financing but I can explain this better when I return.

I am afraid that this is all I have time for at present.

With best wishes,

Yours sincerely,

Mike
(mal)

Mr. S. R. Cope
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington 25, D. C.

Black tour

Messrs. Lejeune, Woolley, Stevenson

February 14, 1958

Neil J. Paterson

Information for the President's Black Book - Federation of Rhodesia and Nyasaland, Union of South Africa and East Africa

I attach notes which I have prepared about relations between the Bank and IFC on the one hand and the above countries on the other.

The figures given on p. 6 about the holding of Bank bonds by the Union are the latest available, but if you think more recent information is desirable, the Treasury Department could no doubt provide the latest figures.

I have not covered the aspects of the Bank's relations with the two non-Member areas which concern questions surrounding the U.K. Government guarantee, viz., the negative pledge clause and the question of the status of H.M.C.'s guarantee given to dependent overseas territories in the event that these territories should become independent. I am not sure where the latter question rests at present and suggest that a paragraph on this subject be provided if necessary either by the Area Department or by the Legal Department of the Bank.

FEDERATION OF RHODESIA AND NYASALAND

RELATIONS WITH THE BANK

Relations with what is now the Federation antedate its establishment and have been good.

The first mission to the Federation was in March-April 1950, when Mr. Garner was accompanied by Messrs. Penton and Collier. In October-November 1951 Messrs. Cope and Spottswood were in Southern Rhodesia making the investigations which led to the Bank's first loan in the area. In July 1952 Messrs. Lejeune, King, and Mehaffey, at the request of the Southern and Northern Rhodesian Governments, conducted the investigations which culminated in the loan to Northern Rhodesia for railroad development. In April-May 1955 Messrs. Kamarck and Trancart were in the Federation to review the economy and in February 1956 Messrs. Lejeune, Kamarck, Richards and Trancart conducted investigations and discussions which led to the \$80 million loan for the Kariba hydroelectric project.

In total the Bank has lent the equivalent of \$122 million to the Federation. The loans to Northern and Southern Rhodesia prior to federation were covered by an agreement made in October 1954 under which the Federal Government added its guarantee to that of the United Kingdom in respect of the two loans.

The first loan of February 27, 1952, was for \$28 million to Southern Rhodesia to finance the import of equipment needed for the expansion of electric power distribution. The loan is for 25 years and bears interest at $4 \frac{3}{4}\%$. It has been fully disbursed, and amortization commenced on November 1, 1956. It was applied to a program costing about \$52 million and providing for the installation of about 230,000 kilowatts in thermal generating capacity and the erection of some 2,000 miles of transmission lines.

The second loan, to Northern Rhodesia, in the amount of \$14 million was made on March 11, 1953 to aid in carrying out a three-year development program of the Rhodesia Railways. The loan is for 20 years and bears interest at 4 3/4%. It has been fully disbursed, and amortization began in 1956. The total cost of the program to which the proceeds of the Bank loan were applied was \$79 million; it included the construction of a new rail line 200 miles long reaching from Bannockburn in Southern Rhodesia to the Mozambique border to connect with a line being built to the port of Lourenço Marques by the Portuguese Government with the aid of financing from the Export-Import Bank.

The third loan was made on June 21, 1956, in the amount of \$80 million to help finance the first stage of the Kariba hydroelectric power scheme. The loan is for a term of 25 years and bears interest at 5%. It is still being disbursed, and amortization is to start in 1963. The first stage of the Kariba scheme involves the building of a dam on the Zambesi River and a power plant with 700,000 kilowatts of generating capacity, and nearly 1,000 miles of transmission lines to the Copper Belt in Northern Rhodesia and the principal cities of Southern Rhodesia. It is estimated to cost about \$225 million. The borrower is the Federal Power Board, the Government corporation responsible for the Kariba Project and for control of the output of most of the existing power plants when they become connected to the national grid. The loan is guaranteed by the Federation and by the United Kingdom. Other lenders are the Colonial Development Corporation, the Commonwealth Development Finance Company, Ltd. and the Federal Government. The latter is committed to provide up to about \$95 million if needed and is borrowing about \$78 million of this from the Selection Trust, Anglo-American, the British South Africa Company, Barclay's Bank D.C.O. and the Standard Bank of South Africa. Bank missions have reported favorably about the progress of the project.

The Bank has agreed to send an operational mission to the Federation in early March 1958 at the same time as representatives of Dillon, Read & Co. It is proposed that a Bank loan be made in association with the public offering of Federation bonds in New York, the first such offering ever made. The Bank loan would probably be associated with railroad development. The amount proposed for the public issue is \$15 million and for the Bank loan, \$10 million.

The Bank has had one trainee from the Federation, Mr. J. A. Simmons, who was a general trainee in 1956.

As of January 31, 1958, the Federation held no Bank bonds, nor had it purchased any of its obligations to the Bank.

RELATIONS WITH IFC

Inquiries for financing of real estate development and for railroad expansion have been declined as inappropriate. A project for the financing of a sugar refinery at Ndola was withdrawn when the necessary funds were provided domestically. Inquiries for financing for a pulp and paper plant and for a fertilizer plant were made in November 1956 by the Investment Advisor of the Federal Government. Discussion ended with the promise of the Investment Advisor that if IFC financing were required, he would bring the proposals up again when they were more fully worked out; there has been no further approach. Some preliminary inquiries about the possibility of financing for the development of copper mines of the Rhodesian Selection Trust ended with the understanding that IFC might be approached later.

UNION OF SOUTH AFRICA
RELATIONS WITH THE BANK

The Bank's first visit was by Messrs. Garner, Penton and Collier in March 1950. Later in 1950 a mission consisting of Messrs. Burland, Rosen, Nurick, Spottswood and Collier conducted investigations which resulted in the Bank's first two loans to the Union. Other missions to the Union have been: in 1951, Mr. Crena de Jongh; in 1952, Messrs. Kamarck and Collier; in 1953, Messrs. Lejeune, Mahaffey and Nurick; in 1955, Messrs. Lejeune, Calika, Saitzoff and Wubnig; and in 1957, Messrs. Lejeune, Paterson, Saitzoff and Bateson. Relations with the Bank have at all times been good, the South Africans, however, showing sensitivity about the Bank's insistence since 1953 that loans be no longer than ten years and about any criticism of their racial policies.

The Bank has lent \$160 million to the Union in a total of six loans. Of this amount, \$100 million has been applied toward the expansion of transport facilities and the remainder has been used for electric power development.

In January 1951 the Bank lent \$50 million to the Union, \$30 million for electric power and \$20 million for transport facilities. The loan for electric power development was for 20 years at 4% interest, and the loan for transport facilities was for 15 years at 3 3/4%.

In August 1953 the Bank again made two loans, each of \$30 million. One loan was for power development, the other for transportation. Both loans were for ten years with interest at 4 3/4%.

In November 1955 the Bank lent St.L 9 million (equivalent to \$25.2 million) for further expansion of transportation facilities. The loan was

for a term of ten years with interest at $4\frac{1}{2}\%$. This loan was made in association with a public issue of bonds in New York in the total amount of \$25 million; the underwriting was managed by Dillon, Read & Co.

The most recent loan was made in October 1957 for further transportation development. It was for \$25 million at an interest rate of $5\frac{3}{4}\%$ for a term of ten years. This loan was made concurrently with the granting of a \$20 million revolving credit by a group of U.S. commercial banks. The private credit, which was arranged by Dillon, Read & Co., replaced a similar credit of \$10 million which was first made available in 1951 and had since been regularly renewed. It was the intention that at the same time as the Bank loan and the new revolving credit there would be a public offering of bonds in New York. At the last minute Dillon, Read, who managed the underwriting group, recommended delay in view of the change in the British bank rate. In January 1958 the public issue, consisting of \$20 million of 10-year sinking fund bonds with a coupon of $5\frac{1}{2}\%$, was finally made.

The loans for electric power have been made to the Electricity Supply Commission (ESCOM), an autonomous state corporation, and have been guaranteed by the Union Government. The Electricity Supply Commission supplies about $\frac{3}{4}$ of the electricity consumed in the Union, and despite the rapid expansion of power facilities since the war, it has had difficulty in keeping pace with demand.

The loans for transportation development have been made directly to the Union, which has passed the proceeds on to the Railways and Harbours Administration, a department of the Government under the Ministry of Transport. The Railways and Harbours Administration operates the entire railroad network in the Union and Southwest Africa, road transport services, the main ocean ports, coastal shipping and the domestic and international

airlines. Its properties represent a total investment at original cost of about \$1.4 billion equivalent. They are manned by a labor force of 214,000 workers and yield gross revenues of some \$470 million a year. The Railways and Harbours Administration is required by law to administer its properties on business principles so as to yield enough revenue, but not more than required, to cover operations, renewals and interest charges on Government loans. Rates are set so as to yield sufficient revenue for all of these purposes. Additions to plant and equipment are financed mainly by perpetual interest-bearing loans from the Government and partly from internally-generated funds.

All loans except the most recent one have been fully disbursed. The Bank has sold \$42.7 million of the Union's commitments to others, including \$23 million, which have matured. Outstanding Union bonds held by the Bank and including undisbursed commitments amount to \$114.7 million.

As of June 30, 1957, the Union held \$2.2 million of Bank bonds. In addition, it has purchased \$31.6 million of its obligations to the Bank, of which \$18.8 million are outstanding.

The Union's 18% capital subscription amounts to \$18 million, of which, as of January 31, 1958, \$7.3 million have been used in Bank loans. The remaining balance is being made available on a convertible basis and will all be available for lending by 1962. ^{TP} It is not expected that there will be a further loan application from the Union in 1958.

Two general trainees have come to the Bank from the Union; in 1952 Mr. Johannes Lombard, who is an assistant of Dr. Steyn at the Treasury and who attended the 1957 Annual Meeting, and in 1957, Mr. Johannes Bouwer.

RELATIONS WITH IFC

A proposal to finance sugar cane production was declined as unsuitable, a proposal to finance the development of a new gold mine was declined because the amounts of financing required were too large, and a proposal for a diamond-mining venture was rejected because of unsuitable and inadequate capitalization. Financing for a printing works and for the manufacture of railroad wheel castings has been rejected because both projects were too closely related to the Government.

Two proposals are pending but inactive. One involves the production of Fleischmann's yeast and is held up pending negotiations by the sponsor of royalty arrangements. The other ^{concerns} ~~involves~~ the possibility of financing for the expansion of David Brown Corporation's interests, involving a tractor assembly and parts manufacture. David Brown's approach involved in large part financing for the acquisition of an existing company, and they were informed that this was outside the scope of IFC operations. IFC has however indicated that it would be prepared to consider financing for the expansion of facilities which David Brown plans for a later date.

EAST AFRICA

RELATIONS WITH THE BANK

Relations between the Bank and East Africa have involved the United Kingdom as much as they have the governments of Kenya, Uganda, Tanganyika, and, representing all these governments collectively, the East Africa High Commission. In all cases the Bank's relations have been good.

In November-December 1952 Messrs. Lejeune, Williams and Dore and in September 1954 Messrs. Lejeune, Mahaffey, Richards and Trancart visited East Africa. These missions, together with discussions in London, led to the Bank's only loan to East Africa. It was for \$24 million and was made to the East Africa High Commission for a term of 20 years with interest at 4 3/4%. The loan, which is guaranteed by the United Kingdom and by Kenya, Uganda, and Tanganyika, has been fully disbursed, and amortization began on January 15, 1958. It was used to help finance a four-year program costing about \$100 million to modernize and expand railways and harbors and road transport in Kenya, Uganda and Tanganyika. The greater part of the cost of the program was financed by borrowings in the London capital market. The transportation program itself is carried out by the East Africa Railways and Harbours Administration, a service of the Commission.

It is likely that in the course of 1958 the Bank will be asked to send a survey mission to Tanganyika and to consider lending for the enlargement of the Owens Falls dam on the Nile in Uganda.

Neither the High Commission nor the Territories hold Bank bonds or have purchased any of their obligations. There have been three participants from East Africa in the Economic Development Institute: Messrs. Hill and Donald from Tanganyika in 1956 and Mr. Bill from Uganda in 1957.

RELATIONS WITH IFC

Kenya

Applications for agricultural, hotel and real estate development, for transport facilities and for the production of mineral water have been declined as unsuitable. Projects for the manufacture of fishing nets, paper, handicrafts, and sugar have been declined because the projects were either too small or inadequately capitalised. A project to expand production of aluminum hollowware and roof sheeting possibly in association with Kaiser Aluminum appeared promising but has been inactive since March 1957.

Uganda

No specific enquiries have been made.

Tanganyika

Applications for tea production and other agricultural projects have been declined as unsuitable. A proposal for a printing press project was declined because it involved only a change of ownership. A project for a textile factory was withdrawn when the Dutch sponsors decided not to proceed with it.

*see Black
has seen*

OFFICE MEMORANDUM **CONFIDENTIAL**

TO: Mr. Davidson-Sommers

DATE: January 21, 1958

FROM: M. L. Lejeune

DECLASSIFIED

SUBJECT: State Department's Comment on Mr. Black's Trip to Africa

Date: 08/09/2010, VA

On January 16 I received a telephone call from a Mr. Duggan who is, I believe, a West African desk officer in the State Department. He had earlier made some comments on Mr. Black's itinerary to Mr. Woolley and I had suggested that he might call me.

He said that from the United States' point of view it would be helpful if Mr. Black's trip could take in more countries which either were independent or would soon become so, and he had particularly in mind Ghana, Liberia and Nigeria. He felt that by including these countries Mr. Black's trip would show a more even balance between "black" and "white" Africa and between colonial areas and independent countries.

I explained to Mr. Duggan that this was the first of two trips Mr. Black would be making to Africa and that time was very limited; he had only four weeks to spend in Africa. Under our present arrangements, he would spend one week in each of the four areas he was going to and this was already little enough. Given the difficulties of travel it was impracticable to include any more countries in such a short time. I added that there were other factors to consider regarding the three countries he named. Liberia, for example, was not a member of the Bank. Moreover, Nigeria could hardly doubt the Bank's interest as it had already had two Bank missions and was about to receive a loan. As to Ghana, I mentioned that, while there had been some talk of our being involved in the Volta River Scheme, we had heard nothing from the Ghana Government on this score for many months, and it might be that a visit by Mr. Black would be misinterpreted and could prejudice the Bank's objective consideration of the project if it should ever come forward again.

Mr. Duggan said that he appreciated our problems and that he could see that it would not be possible for us to expand the trip. He said that we might like to know confidentially that there had been some correspondence between the Prime Minister of Ghana, Dr. Nkrumah, and President Eisenhower about the Volta River Scheme and that Mr. Eisenhower's response "had not been unoptimistic". I asked whether this implied that there was a revival of interest in the project by the aluminum companies concerned. To this he replied that one of the problems in Ghana was that Canadian and British companies retained the bauxite mining rights but did nothing to exploit them. It might be, he said, that with the United States taking a more active interest, other companies would come forward who might be more interested in exploiting this bauxite. He went on to say that there was hope in the State Department that the Bank might again become interested in aluminum development in Ghana. I made no comment.

Mr. Davidson Sommers

-2-

It is clear that, as we expected, Dr. Nkrumah is seeking to promote the Volta River project more on political than on economic grounds. While it would be interesting to know whether the United States has anything seriously in mind, it would seem wise not to appear too eager to become involved. There are so many political overtones to the project that the Bank might well find itself subject to pressures which would make an objective consideration of the project and Ghana's creditworthiness particularly difficult, quite apart from the problems presented by there being several competing aluminum projects in the offing.

Richardson

cc: Mr. Cope
Mr. Stevenson

ITINERARY FOR AFRICAN TRIP

Sunday, March 2: Leave New York via TWA or PAN AM. Berths or staterooms still not fixed. (Note: This is one day earlier than originally planned.)

Monday, March 3: Arrive London. Party will stay at Claridges.

Tuesday, March 4: In London

Wednesday, March 5: Leave London 8:35 AM for Brussels. (Sabena, Convair)

Arrive Brussels 10:55 AM. Lunch being arranged with Belgian government officials including foreign minister, minister for the colonies, head of central bank, and officials of Societe Generale.

Leave Brussels 8:30 PM for Leopoldville. (DC-7 with some berths.)

Thursday, March 6: Arrive Leopoldville - 10:10 AM

At this writing we have not heard from Congo officials in re your itinerary. They will be arranging lodging and transportation inside the Congo as well as conversations and side visits. A visit to the Inga site is almost certain.

Congo

Friday, March 7: In Leopoldville.

Saturday, March 8: In Leopoldville.

Sunday, March 9: Rest in Leopoldville.

Monday, March 10: Fly to Elizabethville by special plane. Detailed arrangements in Elizabethville are in the hands of UnionMiniere.

Tuesday, March 11: In Elizabethville

Wednesday, March 12: Leave for Johannesburg, 9:00 AM on Sabena DC-4. Arrive Johannesburg 3:45 PM.

S.A.

This is one day earlier than originally planned. On receipt of word from Ambassador Byroade, we will ask his indulgence a day earlier. Rest of party will take hotel accommodations in Pretoria.

Thursday, March 13: Dr. Steyn, Secretary for Finance in the Union government, is arranging your schedule on the assumption you will not be arriving in the Union until the evening of this day. Consequently, as things stand now this day is free.

You have asked to stay with Ambassador Byroade this night.

- Friday, March 14: Dr. Steyn has not prepared an itemized schedule for you yet, but conversations with the government and the railway executive will probably come this day. And the Union government will hold a state luncheon.
- In the evening the party boards the Minister of Transport's private railway car for the overnight trip to Kruger Park.
- Saturday, March 15: Kruger Park.
- Sunday, March 16: Leave Kruger Park in the evening in our private R.R. coach for overnight trip back to Pretoria.
- Monday, March 17: Conversations as per Dr. Steyn's forthcoming schedule.
- You have asked to stay with Ambassador Byroade this night.
- Tuesday, March 18: Drive to Johannesburg. Conversations with ESCOM. Possible business lunch at which you will have to make a few remarks. Hosts might be Chamber of Mines of American Club of Johannesburg or Chamber of Commerce. If this lunch is not held today, it will likely be held tomorrow.
- Possible dinner with Harry Oppenheimer. We have not yet had word from him.
- Party stays in hotel arranged by Union government.
- Wednesday, March 19: Further talks as per Dr. Steyn's schedule. Possible business lunch (see March 18) or lunch with Harry Oppenheimer. Possible press conference.
- Leave in early evening for Capetown by plane. Hotel arrangements being made by government in Capetown.
- Thursday, March 20: Sightseeing in Capetown. Possibly conversations with local business leaders. Government will place transportation at our disposal.
- Friday, March 21: Fly from Capetown directly to Salisbury on government transport. Arrive in good time for official dinner with the heads of the four Federation governments who will be meeting in Salisbury that day. (Note: Not all the party is invited to this dinner.)
- You and Mrs. Black (and probably Miss Linahan) will stay with the governor-general. The rest of the party will be put up in a hotel.

- Saturday, March 22:** Meet with governors of two northern territories briefly, followed by more lengthy discussion with Nyasaland government. (The latter will be leaving for Nyasaland this day.)
- Possibly golf in afternoon.
- Mr. Graffty-Smith, head of the Rhodesian Central Bank, would like to have the party dine with him and Mrs. Graffty-Smith informally this evening.
- Sunday, March 23:** Rest: We suggest you visit Sir Ronald Frain of Rhodesian Selection Trust on this day. He will be in New York and calling you on the 27th of January. He has invited you to visit with him in the North Rhodesian copper belt. This would be impossible under the present arrangements. However, Sir Ronald lives in Salisbury and this would be a good day for him to invite you to his house.
- Monday, March 24:** Conversations with the Southern Rhodesian government and with the Federation government in AM.
- Conversations with African leaders and a press conference in PM.
- Official dinner in evening, at which Donald MacDytyre, Minister of Finance of the Federation, will probably be host.
- Tuesday, March 25:** Conversations with business and banking leaders. (We are going to suggest that these be held over coffee at the local club.)
- Depart by government plane for Lusaka, capital of Northern Rhodesia.
- Official dinner given by Northern Rhodesian government.
- Presumably, you and Mrs. Elack will stay at Government House and the rest of the party at the hotel.
- Wednesday, March 26:** Leave Lusaka for Kariba Dam site. Lunch with Federal Power Board and inspect site. Depart for Victoria Falls in late afternoon.
- Thursday, March 27:** Victoria Falls (Victoria Falls Hotel).
- Friday, March 28:** Victoria Falls.
- Saturday, March 29:** Depart in government plane for Arusha, Tanganyika. We understand that the governor of Tanganyika will suggest Arusha over Dar-es-Salaam, possibly because it is more comfortable at Arusha at this time of year.

- Sunday, March 30: Arusha. We have not received any detailed arrangements from the East African governments as yet. We understand it is in the mails.
- Monday, March 31: Arusha. Tanzania
- Tuesday, April 1: Leave Arusha for Nairobi by government transport. We assume at least some of the party will be lodged with the governor of Kenya. Presumably government talks this day and morning of the next day.
- Wednesday, April 2: In Nairobi in AM. Kenya
Either fly or drive to Nyeri in PM. Mrs. Marrian, as you know, has invited us to stay. You and Mrs. Elack and Marie will stay with Marrians; rest of party will probably stay at Outspan Hotel in Nyeri.
- Thursday, April 3: In Nyeri. Return late PM to Nairobi. Uganda
- Friday, April 4: Leave Nairobi for Entebbe, the capital of Uganda. Arrangements in Entebbe are still pending.

IF PARTY RETURNS TO LONDON DIRECT.....

- Saturday, April 5: In Entebbe.
- Sunday, April 6: Leave Entebbe at 8:30 PM (BOAC Britannia with berths).
- Monday, April 7: Arrive London 10:00 AM.

IF PARTY RETURNS TO LONDON VIA CAIRO.....

- Saturday, April 5: Leave Entebbe at 4:55 PM (BOAC DC-4).
Arrive Khartoum 8:40 PM.
Party will be lodged in hotel for the night.
- Sunday, April 6: Leave Khartoum 11:00 AM (Convair, Ethiopian Air Lines).
Arrive Cairo 3:40 PM.
We have not yet requested hotel space in Cairo.
- Monday, April 7: In Cairo.
- Tuesday, April 8: Leave Cairo 11:00 AM (KLM DC-6B).
Arrive Athens 2:05 PM.
Leave Athens 3:55 PM (BEA Viscount).
Arrive London 9:15 PM. Party at Claridges.

Wednesday, April 9: In London.

Thursday, April 10: Leave for Southampton and Queen Elizabeth.

Tuesday, April 15: Arrive New York

HOLD FOR RELEASE

WORLD BANK



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

1818 H STREET, N.W., WASHINGTON 25, D. C. TELEPHONE: EXECUTIVE 3-6360

FOR RELEASE
A.M. Newspapers
January 17, 1958

SUBJECT: Mr. Black to visit Africa.

Eugene R. Black, President of the World Bank, intends to visit the Belgian Congo, the Union of South Africa, the Federation of Rhodesia and Nyasaland, and Kenya, Uganda and Tanganyika in March and April. The Bank has made loans for development in each of these countries. Mr. Black is making this trip to acquaint himself at first hand with progress being made and to meet government officials, business leaders and other persons concerned with economic development. A further visit to other parts of Africa is contemplated for the future. Mr. Black has made similar trips to 47 other member countries and territories over the past several years. Details of Mr. Black's itinerary will be announced later.

FOR IMMEDIATE RELEASE

WORLD BANK



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

1818 H STREET, N.W., WASHINGTON 25, D. C. TELEPHONE: EXECUTIVE 3-6360

May 1, 1957.

SUBJECT: Mr. Black visits
Far East

Eugene R. Black, President of the World Bank, will leave Washington on May 2 to visit Japan, Formosa and the Philippines. This will be Mr. Black's first visit to this part of the Far East and is in accordance with his practice of going abroad to meet government officials and business leaders and to acquaint himself at first hand with economic conditions and development problems.

Mr. Black will arrive in Tokyo on May 6 and stay in Japan until the 17th. From there he will go to Formosa for two days. He will arrive in Manila on May 20 and leave for the United States on May 22.

Mr. Martin Rosen, Director of the Bank's Department of Operations for the Far East, will accompany Mr. Black throughout his journey. Mr. Richard Quandt of the Bank staff will also be with him in Japan.

Schedule for Mr. E. R. Black
President to the IBRD

May 6 - 7, 1957

May 6 (Mon)	10:00 a.m.	Arrival in Tokyo
	4:30 p.m.	Call on Prime Minister
	5:00 p.m.	Cocktail Party given by Prime Minister (stag)(business suit)
	-7:00 p.m.	
	8:00 p.m.	Dinner given by Minister of Finance (black tie)(includes Mrs. Black, Miss Ladue)
7 (Tues)	10:00 a.m.	Call on Minister of Finance
	11:20 a.m.	Call on Governor of Bank of Japan
	2:30 p.m.	Call on Minister of International Trade and Industry
	3:30 p.m.	Theatre going
	6:00 p.m.	Dinner given by Governor of Bank of Japan (Mrs. Black and Miss Ladue included)
8 (Wed)	10:00 a.m.	Meeting with Industrialists
	2:00 p.m.	Call on Governor of Japan Development Bank
	6:00 p.m.	Dinner given by Governor of Japan Development Bank (will find out whether black tie and who is included)
9 (Thurs.)	10:00 a.m.	Meeting with bankers
		afternoon Hakone (Stop over the night at Hakone) Visit to Mr. Yoshida
10 (Fri.)	1:59 p.m.	Leave Atami for Kyoto by the special express "Hato"
	7:22 p.m.	Arrive at Kyoto (stay in Miyako Hotel)
11 (Sat.)		Sightseeing at Kyoto (Stay in Miyako Hotel) (Party sponsored by Kansai-Kawasaki)
12 (Sun.)		Sightseeing at Nara (Stay in Shin Osaka Hotel)
13 (Mon.)	11:00 a.m.	Meeting and luncheon with business leaders of Kansai Districts
	2:00 p.m.	Tour to factory
	8:25 p.m.	Leave Itami Airport (Osaka) for Tokyo-JAL
	10:10 p.m.	Arrive at Haneda Airport
14 (Tues.)	12:45 p.m.	Mr. Harpin, Charge d'affaires, UK Embassy
	2:15 p.m.	Tour to factory (Chief plant of Kawasaki)
15 (Wed.)	10:00 a.m.	Call on Minister of Finance
	10:30 a.m.	Luncheon given by American Embassy *
	2:30 p.m.	Call on Prime Minister
16 (Thurs.)		
17 (Fri.)	1:00 a.m.	Leave Haneda for U.S.A.

- Remarks:
1. The time schedule might be changed.
 2. The mark* indicates uncertain schedules.
 3. The factories in Tokyo area, to be visited is either one of the Chiba plant, Kawasaki Seitetsu Co. and Nihon Kokan Co.
 4. The factories in Osaka area, to be visited is either one of Kaizuka plant, Nichibo Co., Kawasaki Heavy Industry Co., Simmistubishi Heavy Industry Co., etc.

Schedule for Mr. E. S. Slack
President to the I&M
- 2 -

May 6 - 7, 1957

- 5. No schedule is expected on the 16th.
 - 6. The visit to the American Embassy and the British Embassy etc. is to be made on their available time.
- | | | |
|-------------|--|--|
| | 10:00 a.m. | Arrival in Tokyo |
| | 1:30 p.m. | Call on Prime Minister (stag)(business suit) |
| | 7:00 p.m. | Cocktail Party given by Prime Minister (stag)(business suit) |
| | 8:00 p.m. | Dinner given by Minister of Finance (black tie)(includes Mrs. Slack, Miss Ladae) |
| 7 (Tues) | 10:00 a.m. | Call on Minister of Finance |
| | 11:20 a.m. | Call on Governor of Bank of Japan |
| | 2:30 p.m. | Call on Minister of International Trade and Industry |
| | 3:30 p.m. | Theatre going |
| | 6:00 p.m. | Dinner given by Governor of Bank of Japan (Mrs. Slack and Miss Ladae included) |
| 8 (Wed) | 10:00 a.m. | Meeting with Industrialists |
| | 2:00 p.m. | Call on Governor of Japan Development Bank |
| | 6:00 p.m. | Dinner given by Governor of Japan Development Bank (will find out whether black tie and who is included) |
| 9 (Thurs.) | 10:00 a.m. | Meeting with bankers |
| | afternoon Rakusei (Stop over the night at Nakano) Visit to Mr. Yoshida | |
| 10 (Fri.) | 1:59 p.m. | Leave Atami for Kyoto by the special express "Hato" |
| | 7:22 p.m. | Arrive at Kyoto (stay in Miyako Hotel) |
| 11 (Sat.) | Sightseeing at Kyoto (Stay in Miyako Hotel) (Party sponsored by Kansai-Kawasaki) | |
| 12 (Sun.) | Sightseeing at Nara (Stay in Shin Osaka Hotel) | |
| 13 (Mon.) | 11:00 a.m. | Meeting and luncheon with business leaders of Kansai Districts |
| | 2:00 p.m. | Tour to factory |
| | 8:25 p.m. | Leave Itami Airport (Osaka) for Tokyo-JAL |
| | 10:10 p.m. | Arrive at Haneda Airport |
| 14 (Tues.) | 12:45 p.m. | Mr. Harpin, Charge d'affaires, UK Embassy |
| | 2:15 p.m. | Tour to factory (Chief plant of Kawasaki) |
| 15 (Wed.) | 10:00 a.m. | Call on Minister of Finance |
| | 2:30 p.m. | Luncheon given by American Embassy * |
| | 2:30 p.m. | Call on Prime Minister |
| 16 (Thurs.) | | |
| 17 (Fri.) | 1:00 a.m. | Leave Haneda for U.S.A. |

Remarks: 1. The time schedule might be changed.
 2. The mark* indicates uncertain schedules.
 3. The factories in Tokyo area, to be visited is either one of the Chiba plant, Kawasaki Seitetsu Co. and Nihon Kokan Co.
 4. The factories in Osaka area, to be visited is either one of Kaimoku plant, Nichibo Co., Kawasaki Heavy Industry Co., Shimadzu Heavy Industry Co., etc.

OFFICE MEMORANDUM

TO: S. R. Cope

DATE: December 6, 1956.

FROM: D. B. Pitblado

Handwritten notes:
~~Mr. Black~~
" Sommer
~~Knapp~~

SUBJECT:

Mr. Douglas Allen made an internal record of the meeting with Mr. Black on November 19th. You may like to have a copy, and I attach one.

Handwritten signature: D.B. Pitblado

Handwritten note in red:
~~Amberly~~
15 Jan 57

- x ref. German Bond Issue
- x ref. U.K. 18%
- x ref. Pol. & Pro.
- x ref. U.K. air Corp. bill
- x ref. Nuclear Energy
- x ref. I.F.C.

RECORD OF A MEETING HELD IN THE TREASURY IN SIR ROGER MAKINS'
ROOM ON MONDAY, 19TH NOVEMBER AT 3 p.m.

PRESENT

Mr. Black	}	I.B.R.D.
Mr. Cope		
Mr. Miller		
Sir Roger Makins	}	Treasury
Sir Leslie Rowan		
Sir Denis Rickett		
Mr. Thorold		
Mr. D. B. Pitblado		
Mr. A. W. France		
Mr. W. Armstrong		
Mr. D. A. V. Allen	}	Foreign Office
Mr. P. Gore-Booth		
Mr. J. Thomson		
Sir Hilton Poynton		
Mr. Galsworthy		

Sir Roger Makins welcomed Mr. Black and said that he had the general support and sympathy of the United Kingdom in the purposes of his visit to Germany which was his main reason for coming to Europe at the present time.

Mr. Black thanked Sir Roger Makins. In reference to the present economic situation he said that if there was any way in which the International Bank could be of help to the United Kingdom, they had only to let him know. Sir Roger Makins expressed his appreciation of this offer.

The following topics were then discussed and are dealt with in minutes on separate sheets:-

- (1) Additional German money for the I.B.R.D.
- (2) United Kingdom 18% releases.
- (3) The resources of the Bank, rate policy and dividend policy.
- (4) Other I.B.R.D. activities.
- (5) United Kingdom Air Corporations Bill.
- (6) Nuclear Power Stations.
- (7) International Finance Corporation.

ADDITIONAL GERMAN MONEY FOR I.B.R.D.

Mr. Black said that when the last issue of I.B.R.D. bonds was made, the Germans had asked if they could subscribe \$20 million worth. This had not been taken up by the Bank in full since the loan was over-subscribed. The International Bank would now like to borrow from Germany either marks or E.P.U. currencies for their lending operations. He understood however that the Germans did not hold E.P.U. currencies as such and that it was also very doubtful whether they would be prepared to lend to the Bank because they were anxious to keep their position liquid. Short term money was no use to the I.B.R.D. It was, of course, by no means certain that his mission could accomplish any useful result.

Sir Leslie Rowan referred to the recent O.E.E.C. meeting in Paris during which various possibilities had been discussed for alleviating the problems caused by the German creditor position. Germany was now in the same creditor position as the United States but so far had not developed the appropriate financial and economic techniques to neutralise this creditor position. Germany should be told that if they did not have the necessary techniques now it was imperative that they should take steps to develop them in the long term. During the discussions in Paris the Germans had said that they were going to release 30 million deutschemarks of their 18% immediately to the I.B.R.D. and that they thought it unlikely that the International Bank would have any use for a greater sum than this.

Mr. Black said that the International Bank needed a lot of deutschemarks for purchases to be made in Germany by borrowing countries. In addition they needed as many deutschemarks as possible on a convertible basis in order to obtain other currencies. The Germans had made a great flourish about their releasing deutschemarks on a convertible basis, but this had little significance since the Bank needed all the marks released to it for purchases to be made in Germany. The Bank could make full use of all the remaining German 18% together with any money which might be subscribed.

Sir Leslie Rowan said that the Germans had been told in the O.E.E.C. that they ought to release all their remaining 18% deutschemarks to the I.B.R.D. without conditions. Anything that the Bank could do to get more German 18% released would not only help the work of the Bank but would also help the general exchange position.

UNITED KINGDOM 18% RELEASES

Mr. Black said that the United Kingdom 18% position was at present as follows:-

	<u>Million Dollars</u> <u>Sterling Equivalent</u>
Total United Kingdom 18%	234
Released to Bank and disbursed	41
Released to Bank and allocated to loans but not yet disbursed	75
Unallocated portion of £60 million release scheme	62
Unreleased part of 18% outside £60 million scheme	54

The International Bank were going to need sterling for two loans to be made in the near future, namely an Indian iron and steel loan for which \$8 or 9 million was required for purchases in the United Kingdom and an Indian railroad loan where the figure for United Kingdom purchases would be \$34 million. The Bank would like to know whether the United Kingdom would release sterling for these loans from the unallocated part of the £60 million Commonwealth scheme. If the United Kingdom could not agree to release the sterling, the Bank might try to make it available by lending dollars. The Indians, however, were seeking a lot of money and their dollar creditworthiness was by no means unlimited. Moreover relations with India had not been improved by the announcement without warning during the negotiations with the Bank that the Indians had borrowed \$120 million from Russia. The money for the railroads would be spent over two or three years.

Sir Leslie Rowan thanked Mr. Black for his information and said that we would think about the request, taking into account the factors which Mr. Black had mentioned.

After the meeting Mr. Cope left with us the following table relating to the orders on the two Indian loans.

\$ million sterling equivalent

	<u>Orders already placed in U.K.</u>	<u>Orders likely to be placed in U.K.</u>	<u>Total</u>
Indian iron and steel	2.05	5.9 - 7.6	7.95 - 9.65
Indian railroads	<u>34.30*</u>	<u>-</u>	<u>34.30</u>
	36.35	5.9 - 7.6	42.25 - 43.95

*of which 8.4 between 1st April, 1956, and 31st March, 1957

THE RESOURCES OF THE BANK, RATE POLICY AND DIVIDEND POLICY

Mr. Black said that for the last few years the Bank had not found it necessary to borrow any money in the United States. Several factors accounted for this. They had received a large prepayment by the Dutch of over \$100 million and two or three smaller prepayments. They had been able to sell out of their portfolios a substantial portion of their loans; in 1954 \$119 million worth, in 1955 \$70 million worth. They had also got to the point where there had been participation by other lenders in nearly all the loans which the Bank made. There had also been joint operations with Wall Street. These favourable factors no longer applied. There was no prospect of any large prepayments, sales from portfolios were declining with the tightness of money and so were participations and the prospects of joint operations with Wall Street. During the same period they had also borrowed money elsewhere, but all other markets had now tightened up.

Mr. Black said that the Bank needed a lot of money for its future business, which in prospect was larger than ever before. Last year they had lent about \$400 million, whereas this year the minimum figure up to end June 1957 looked like being \$500 million. Loans about to go through included a loan to Australia of \$50 million and a loan to Iran of \$70 million. The standing of the Bank in the New York market was as high as it had ever been but relatively little money was available to borrow and the price was high. This made it all the more important to persuade countries to release 18%.

Mr. Black said that he might be able to get some further releases of 18% from Italy and Sweden, but the total amounts of 18% available from all sources were likely to be small in relation to the total requirements of the Bank for money. He had therefore initiated conversations with New York bankers in order to raise a sum of \$200 million. It was possible that the bankers would recommend a lower sum. The I.B.R.D. had indicated that it would be willing to sell some of the issue to the bankers on a delayed delivery or delayed payments basis and this might assist the placing of the money. This was a reversal of the normal practice under which the Bank took money before it was ready to use it and lent it short pending the date of disbursement, thereby incurring a short term loss.

The minimum at which the Bank could borrow in New York was thought to be $4\frac{1}{4}\%$. To this figure had to be added $\frac{1}{4}\%$ administrative charge and 1% statutory commission, making a charge to borrowers of $5\frac{1}{2}\%$. The United States had been pushing the International Bank to raise its loan rate because at present it was lower than the Ex-Im Bank rate. On the day the Quantas loan was made to Australia (in which the I.B.R.D. participation was $\frac{1}{3}$) the I.B.R.D. rate was $4\frac{3}{4}\%$ whereas for aircraft loans made on the same day by Ex-Im Bank the rate was $5\frac{1}{2}\%$.

Mr. Black said that at the annual meeting there had been a lot of criticism of the 1% statutory commission and he had undertaken to reconsider this. The moment that I.B.R.D. had to raise its loan rate, the question of the 1% commission would be raised. He suggested that the 1% should be cut by $\frac{1}{4}\%$ to make the total loan rate for borrowing only $5\frac{1}{4}\%$. Such a proposal would however immediately raise the question of dividend policy.

Mr. Black said that the United States felt more strongly than ever about dividend policy and had said that they would support a proposal to reduce the statutory commission only if the Executive Board had passed a recommendation that a dividend should be paid.

Their arguments were the familiar ones that they were not getting a return on money lent to the I.B.R.D. and that the I.B.R.D. was lending on a subsidised basis. The United States felt so strongly about the rate policy of the Bank that they had threatened to vote against loans at present under discussion unless the rate was raised immediately. The Bank however proposed to put through loans to Australia, Iran and two small loans to Japan at the old rate of $4\frac{3}{4}\%$. But any further loans would have to be at a higher rate and the proposal to raise the rate would come before the Executive Board on 11th December. This would be bound to trigger off all the arguments about the statutory commission and dividend policy.

Mr. Black said that he had sounded the market on the question of paying a dividend and the reaction of the market seemed favourable rather than the reverse. He also thought that the underdeveloped countries would not be too resistant to the idea of a dividend if it were coupled with a reduction in the 1% statutory commission. He had therefore changed his views on this question and thought that it was desirable that a dividend should be declared. A dividend of 2% on 18% money used by the Bank would amount to about \$15 million. If a dividend of 2% was paid on the 2% subscriptions of all members as well, the cost would be an additional \$3.6 million. If the Bank reduced the 1% statutory commission by $\frac{1}{4}\%$ and paid a 2% dividend on the 18% used by it, the two together would cost \$20 million; and if dividend was paid on the 2% subscriptions as well the total cost would be about \$24 million. For the year ending 30th June, 1957, the Bank was expected to make earnings of \$46 to 47 million, after allowing for a reduction of the statutory commission after 1st January. Even after paying out \$20 or 24 million, the reserves should rise by about \$25 million and this would bring them to the level of \$275 million.

Mr. Black said that a declaration of dividend policy has to be put to the Governors and would either have to be dealt with at the Annual Meeting next year or by a special poll. He had suggested to the United States that the reduction of statutory commission should be voted straightaway, but the question of dividend referred to the Annual Meeting. The United States had said that they would not be prepared to vote for a reduction in the statutory commission until such time as the Board of Directors were prepared to recommend a dividend to the Government.

In reply to a question from Sir Leslie Rowan, Mr. Black said that, once a dividend had been declared, it would be desirable under normal conditions to continue to pay on annual dividend.

Sir Roger Makins said that the United Kingdom would consider urgently these questions of dividend policy, including the basis on which a dividend should be distributed if there were to be one, and would let Mr. Black know our views as soon as possible.

OTHER I.B.R.D. ACTIVITIES

Mr. Black said that the mission in the field in the Gold Coast had reported that the Volta project was not as far advanced as they had thought it might be. There were signs that the aluminium companies were backing away. The mission thought that Volta could hardly be said to be on the cards at present and that what was needed in the Gold Coast was assistance in the wise use of resources and the building up of economic resources over a period. This would imply that the Bank's role would be largely advice rather than money, since if the Volta scheme were not proceeded with the Gold Coast would have plenty of finance.

Mr. Black said that of the \$500 million which he expected to be the total of Bank lending in the current year, \$100 million would be for Latin America and \$100 million for Europe.

Mr. Black said that the Indians were seeking a loan in New York to finance aircraft purchase. They were having difficulty at present in getting offers. It might be that the Bank would agree to take part of an aircraft loan in order to help the Indians negotiate it with the market.

Sir Roger Makins referred to the impending visit of Nigerian officials to the Bank about a project for Nigerian railway development. What the party would be seeking would be a letter of intention from the Bank rather than any particular agreement at present. Mr. Black indicated that there would be no difficulty about this in principle.

(Mr. Pittblado and I discussed this paragraph neither of us felt that Mr. Black had approved anything more than that we would discuss the matter. - Dec 6/56)

UNITED KINGDOM AIR CORPORATIONS BILL

Sir Roger Makins said that Mr. Black's attention might have been drawn to the Air Corporations Bill which had been presented to Parliament and which had as its main purpose the extension of the borrowing powers of B.O.A.C. and B.E.A. No decision had been taken in the United Kingdom that B.O.A.C. should borrow from the I.B.R.D. or Export-Import Bank, but in order to leave this possibility open to them the opportunity of the Bill had been taken to provide the necessary powers for B.O.A.C. to effect such a loan and to cover any necessary guarantee by H.M. Government.

Mr. Black said that he knew something about the attempts of B.O.A.C. to raise money in New York. He had heard that an attempt had been made to borrow \$100 million in Wall Street and he knew that this was entirely impossible at the moment since that amount of money did not exist at present. As to a Bank loan, he did not think that in principle the Bank ought to take on the whole amount of a loan for jet aircraft. In his view the Bank should confine its resources to more productive things than aircraft and he was convinced that once the door was opened to aircraft loans there would be an endless queue at his door. He regarded the financing of purchase of U.S. aircraft as more appropriate to the Export-Import Bank. He would not however rule out what he had done in connection with a loan for Quantas, namely to help put the loan across in the New York market by taking a portion of it (in that case a third).

Sir Roger Makins thanked Mr. Black for his statement and noted that within certain limits the Bank might be able to help.

Mr. Cope asked whether the Bank lawyers could examine the draft legislation which had been mentioned. It was pointed out that the Bill was already before the House but that a copy of the Bill would be sent to the Bank for their information.

NUCLEAR POWER STATIONS

Sir Roger Makins referred to the discussion with Mr. Black earlier in the year about the possibility of an I.B.R.D. participation in the financing of nuclear power stations. As Mr. Black was aware, there were quite a number of difficulties in this for us and we were not yet ready to talk in detail. As in the case of the Aircraft Corporations there was a deficiency in the borrowing powers of the Central Electricity Authority and we might decide to incorporate some provision to give these powers in impending legislation.

Mr. Black said that he was very ready to talk to the United Kingdom as soon as they were ready. In his view the Bank could properly finance nuclear power stations as compared with jet aircraft.

I have asked Mr. P. Black for a copy of the bill

Itinerary for Mr. Black's Visit to Germany
and Austria - November 1956

Itinerary (continued)

November 1956

November 18 (Saturday)	1600	Lv New York, TWA Flight 860
November 19 (Sunday)	0930	Lv Berlin for Frankfurt - PAA Flight 173
	0855	Arr London
	1100	Arr Frankfurt (Frankfurterhof)
	1600	Interview Mr. Esgo T. Kuiper - Claridges Bank deutscher Laender
		p.m. Abs, Director, Sueddeutsche Bank
November 20 (Tuesday)	0845	Lv London BEA Flight 452
	1135	Arr Düsseldorf, A.S.G.
	1330	Lunch given by Minister of Economics Erhard
	1930	Afternoon meeting with Erhard, followed by meeting to be arranged with Chancellor Adenauer, Minister of Finance Schaeffer and Foreign Minister von Brentano
November 21 (Wednesday)		Dinner given by Federation at Petersberg Hotel
	0900	Discussions in Vienna
		Sleep at Hotel Excelsior, Cologne
		Sleep Vienna
	a.m.	Marialach: Cologne Cathedral
		Discussions in Vienna
	1300	Pferdmenges
		Sleep Vienna
November 22 (Thursday)	1730	Round Table Discussion (5 bankers; 5 industrialists)
	0830	Lv Vienna - AF Flight 741
		Dinner free
	1215	Arr Paris (Bristol Hotel)
November 23 (Friday)	0930	Gutehoffnungshuette Oberhausen A.G.
November 24 (Saturday)	1300	Villa Hügel (Krupp)
November 25 (Sunday)	1500	Demag - Dr. Hans Reuter
November 26 (Monday)	1700	Tea - Dr. Reuter for
November 27 (Tuesday)	1900	Lv/Berlin by air
November 28 (Wednesday)		Discussions with M. Rene Mayer
November 29 (Thursday)	0900	Allgemeine Elektrizitaetsgesellschaft
	1130	Tour of City New York
	1315	Call on Mayor Dr. Otto Suhr followed by lunch
	1500	Siemens
		Dinner Free
	2000	Measure for Measure

Itinerary for Mr. Black's Visit to Germany
and Austria - November 1956

Itinerary (Continued)

- 2 -

November 1956

November 18 (Saturday)	1600	Lv New York, TWA Flight 860
November 24 (Saturday)	0930	Lv Berlin for Frankfurt - PAA Flight 173
November 25 (Sunday)	0855	Arr London
	1100	Arr Frankfurt (Frankfurterhof)
	1600	Interview Mr. Esgo T. Kuiper - Glaridges
	1300	Bank deutscher Länder
	p.m.	Abs, Director, Sddeutsche Bank
November 20 November 25 (Sunday)	0845	Lv London BEA Flight 452
	a.m.	Dr. Hans C. Boden, A.E.G.
	1315	Lv Frankfurt - SN Flight 694
	1530	Arrive Vienna (Sacher Hotel), followed by meeting to be arranged with Chancellor Adenauer, Minister of Finance Schaeffer and Foreign Minister von Brauns
November 26 (Monday)	0900	Dinner given by Federation at Petersburg Hotel Discussions in Vienna Sleep at Hotel Excelsior, Cologne Sleep Vienna
November 27 (Tuesday)	a.m. 0900 1300	Marialsch; Cologne Cathedral Discussions in Vienna Pferdehaus Sleep Vienna
November 28 (Wednesday)	1730 0830	Round Table Discussion (5 bankers; 5 industrialists) Lv Vienna - AF Flight 741 Dinner Free
November 22 (Thursday)	1215 0930	Arr Paris (Bristol Hotel) Gutehoffnungshuette Oberhausen A.G.
November 29 (Thursday)	1300 1500	Villa Hugel (Krupp) in Paris
November 30 (Friday)	1700	Tea - Dr. Reuter in Paris
December 1 (Saturday)	1900 1600	Lv Berlin by air Discussions with M. Rene Mayer
December 2 (Friday)	0900 1130 1315 1500 2000	Allgemeine Elektrizitaetgesellschaft Lv Paris for New York Call on Mayor Dr. Otto Suhr followed by lunch Siemens Dinner Free Messure for Messure

Dr. Otto Donner

October 31, 1956

S. R. Cope

Mr. Black's Visit to Germany

I attach copies of two letters Mr. Black has sent to General Julius Klein and Dr. Wagner of Mannesmann Tube Company, Ltd., Canada, in reply to their invitations which I mentioned to you on the telephone on Friday.

Attachments

SR Cope:eed

October 31, 1956

Dear Dr. Wagner:

✓
Thank you for your letter of October 22, 1956, conveying on behalf of the management of the Mannesmann A.-G. of Düsseldorf an invitation for me to visit them.

My visit, which I am making as President of the World Bank, is at the invitation of the Federation of German Industries, who have undertaken to make all arrangements for it. In this situation I think it would create confusion if I were to accept individual invitations, such as I should like to do so.

I feel sure that the management of the Mannesmann A.-G. will appreciate the position and agree that in the circumstances I have no alternative but to leave all arrangements in the hands of the Federation.

Yours sincerely,

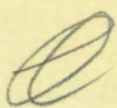
(Signed) Eugene R. Black

Eugene R. Black

Dr. Gerhard Wagner
Mannesmann Tube Company, Ltd.
233 Broadway
New York 7, New York

cc: General Julius Klein
Chicago, Illinois

Dr. O. Donner


October 29, 1956
SRCope:eed

October 31, 1956

Dear General Klein:

Thank you for your letter of October 23, 1956 enclosing an invitation from your client, Mannesmann, A.-G., to visit them in D~~ü~~sseldorf.

In view of the fact that all arrangements are in the hands of the Federation of German Industries I felt that I had no alternative but to reply in the sense of the enclosed letter to Dr. Wagner.

Let me say, however, that I greatly appreciate both the invitation and your offer of help which I will certainly make use of should the occasion arise.

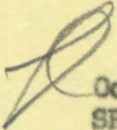
Yours sincerely,

(Signed) Eugene R. Black

Eugene R. Black

Major General Julius Klein
Westminster Building
110 South Dearborn Street
Chicago 3, Illinois

cc: Dr. Otto Donner

 October 29, 1956
SRCope:eed

ack. Nov. 6

OCT 25 REC'D



Julius Klein • PUBLIC RELATIONS

WESTMINSTER BUILDING • 110 SOUTH DEARBORN STREET • TELEPHONE DEARBORN 2-4110

Chicago 3, Illinois

October 23, 1956

Mr. Eugene R. Black, President
International Bank for Reconstruction
and Development
1818 H NW
Washington, D.C.

Dear Mr. Black:

It gives me great pleasure and I am honored to forward to you an invitation from our client, Mannesmann, A.G., to visit in Duesseldorf, Germany, during your contemplated European trip. Dr. Gerhard Wagner, who extends the invitation in behalf of Mannesmann, A.G., is the President of the Mannesmann Tube Company, Ltd., of Canada and New York, and of the American Mannex Company of New York, both of which are subsidiaries of Mannesmann, A.G.

Mannesmann, A.G., as you undoubtedly know, is one of the largest steel producing companies in Europe and is known internationally as one of the founders of the seamless steel pipe industry. In addition to the subsidiaries in the United States and Canada, it opened a new seamless steel pipe mill in Brazil in May of this year. Mr. William Zangen, the Chairman of the Board of Mannesmann, A.G., is known as the "Ben Fairless" of West Germany, and I am sure you will find a meeting with him and his associates both interesting and of mutual advantage. Incidentally, during Secretary Sinclair Weeks' visit in Germany last year, Mr. Zangen was host at an official reception for him, followed by a tour of the Mannesmann plant.

If my organization either here or in Germany can be of any help, do not hesitate to let us know. We would be delighted to be of assistance. Our German branch office is located in Frankfurt am Main, Rathenauplatz 2-8, (telephone 92961).

Main Office . . . WESTMINSTER BUILDING • 110 SOUTH DEARBORN STREET • CHICAGO 3, ILLINOIS

Branch Offices . . . WASHINGTON, D. C. • NEW YORK, NEW YORK • BEVERLY HILLS, CALIFORNIA
FRANKFURT AM MAIN, GERMANY • TORONTO, CANADA

mk. Oct. 31

Klein

OCT 2 REC'D



Mr. Eugene R. Black, President
International Bank for Reconstruction
and Development

October 23, 1956

-2-

October 23, 1956

I certainly trust that your European trip will be a pleasant one, and do hope you can include Duesseldorf in your itinerary.

With kindest personal regards, I am

Dear Mr. Black:

Sincerely,

JULIUS KLEIN:jf

Mannesmann, A.G., as you undoubtedly know, is one of the largest steel producing companies in Europe and is known internationally as one of the founders of the seamless steel pipe industry. In addition to the subsidiaries in the United States and Canada, it opened a new seamless steel pipe mill in Brazil in May of this year. Mr. Wilhelm Pöppel, the Chairman of the Board of Mannesmann, A.G., is known as the "Mr. Fairplay" of West Germany, and I am sure you will find a meeting with him and his associates both interesting and of mutual advantage. Incidentally, during Herr Pöppel's visit in Germany last year, Mr. Pöppel was host at an official reception for him, followed by a tour of the Mannesmann plant.

If my organization either here or in Germany can be of any help, do not hesitate to let us know. We would be delighted to be of assistance. Our German branch office is located in Frankfurt am Main, Mathematisches 2-8, (telephone 32961).

OCT 25 5 51 PM 1956

Main Office... WESTMINSTER BUILDINGS - 225 BROADWAY - NEW YORK 10038
Branch Office... WASHINGTON, D.C. - 1115 NEW YORK - SEVEREY HILLS, CALIFORNIA
MEXICO CITY - TORONTO, CANADA

ink. Oct 31

Julius Klein

Mr. Eugene R. Black, President
International Bank for Reconstruction
and Development

October 23, 1956

-2-

I certainly trust that your European trip will be a
pleasant one, and do hope you can include Passafium
in your itinerary.

With kindest personal regards, I am

Sincerely,



JULIUS KLEIN:jl

OCT 25 2 21 PM 1956

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

MANNESMANN TUBE COMPANY, LTD.



OCT 25 REC'D

SAULT STE. MARIE • ONTARIO CANADA

OFFICE OF THE PRESIDENT
233 BROADWAY, NEW YORK 7, N.Y.

OCTOBER 22, 1956.

MR. EUGENE R. BLACK, PRESIDENT
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,
WASHINGTON, D.C.

DEAR MR. BLACK:

I HAVE BEEN INFORMED THAT, ON YOUR IMPENDING TRIP TO EUROPE, YOU WILL BE VISITING GERMANY FOR A FEW DAYS. ON BEHALF OF THE MANAGEMENT OF THE MANNESMANN A.-G. OF DUESSELDORF, GERMANY, I HAVE BEEN ASKED TO INVITE YOU TO VISIT DUESSELDORF AND OUR COMPANY AND TO BE OUR HONORED GUEST DURING YOUR STAY THERE.

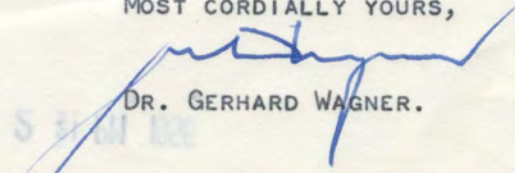
I CAN ASSURE YOU THAT MY ASSOCIATES IN GERMANY WILL CONSIDER IT A DISTINCT HONOR TO RECEIVE SUCH A DISTINGUISHED AMERICAN REPRESENTATIVE KNOWN THROUGHOUT THE WORLD FOR HIS CONTRIBUTION TO A SOUND TRADE AND ECONOMIC POLICY.

THE MANNESMANN COMPANY ARE CREATORS OF PRODUCTION EQUIPMENT FOR SEAMLESS STEEL PIPE, THE PROCESS AS WELL AS THE PRODUCT NOW BEING USED THE WORLD OVER. THE COMPANY ITSELF IS ONE OF THE LARGEST STEEL PRODUCERS OF POSTWAR GERMANY, AT THE SAME TIME HAVING A CONSIDERABLE SHARE IN THE RUHR COAL MINING.

I HAVE ASKED OUR FRIEND, GENERAL JULIUS KLEIN, TO FORMALLY TENDER THIS INVITATION TO YOU ON BEHALF OF MY GERMAN ASSOCIATES.

ANTICIPATING YOUR KIND REPLY, I REMAIN,

MOST CORDIALLY YOURS,


DR. GERHARD WAGNER.

GW:JW.

OCT 22 5 31 PM '56

RECEIVED
SECURITY AND DEPT.
KLEIN/BLACK DIVISION
RECEIVED

ack. Oct. 31

OCT 25 Rec'd



SAULT STE. MARIE * ONTARIO CANADA

OFFICE OF THE PRESIDENT
222 BROADWAY, NEW YORK 7 N.Y.

October 25, 1956

MR. EUGENE R. BLACK, PRESIDENT
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,
WASHINGTON, D.C.

Dear Mr. Black:

I HAVE BEEN INFORMED THAT, ON YOUR IMPENDING TRIP TO EUROPE, YOU WILL BE VISITING GERMANY FOR A FEW DAYS. ON BEHALF OF THE MANAGEMENT OF THE MANNESMANN A.-G. OF DUESSELDORF, GERMANY, I HAVE BEEN ASKED TO INVITE YOU TO VISIT DUESSELDORF AND OUR COMPANY AND TO BE OUR HONORED GUEST DURING YOUR STAY THERE.

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I HAVE ASKED OUR FRIEND, GENERAL JULIUS KLEIN, TO FORMALLY TENDER THIS INVITATION TO YOU ON BEHALF OF MY GERMAN ASSOCIATES.

ANTICIPATING YOUR KIND REPLY, I REMAIN,

MOST CORDIALLY YOURS,

DR. GERHARD WANNER,

OCT 25 2 21 PM 1956

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

RECEIVED



FRIED. KRUPP
DAS DIREKTORIUM

NOV 2 REC'D ESSEN, October 17th,
1956

Mr. E.R. B l a c k

President of the International Bank
for Reconstruction and Development

1818 H. Street

Washington 25, D.C.

Mr. Black

Dear Mr. President,

We hear with great pleasure of your intended visit of the Federal Republic of Germany and we want to take this opportunity of extending to you an invitation to visit our firm. Undoubtedly it will be of interest to you to have a look at some of our workshops and we should like it very much to have you here in order to discuss various problems with you.

If your engagements will permit of your accepting this invitation, we shall contact the Bundesverband der Deutschen Industrie and arrange a visit to our firm that fits into your plans for your stay in Germany.

If you have any wishes with regard to a possible visit to our firm, be it the workshops you are interested in most or any gentlemen you want to meet here, please let us know, we shall be only too glad to comply with your wishes.

Hoping that we may have the pleasure of welcoming you to our firm we remain,

Yours very truly,

F R I E D . K R U P P

DAS DIREKTORIUM

Herrmann
Schröder

- Herrmann -

- Schröder -

ack. Nov. 6

NOV 2 RECD
ESSEN, October 17th,
1956

FRIED. KRUPP
DAS DIREKTORIUM



Mr. E. R. Bick
President of the International Bank
for Reconstruction and Development
1818 H. Street
Washington 25, D.C.

Handwritten signature/initials

Dear Mr. President,

We hear with great pleasure of your intended visit of the Federal Republic of Germany and we want to take this opportunity of extending to you an invitation to visit our firm. Undoubtedly it will be of interest to you to have a look at some of our workshops and we should like it very much to have you here in order to discuss various problems with you.

If your engagements will permit of your accepting this invitation, we shall contact the Bundesverband der Deutschen Industrie and arrange a visit to our firm that fits into your plans for your stay in Germany.

If you have any special requirements as far as possible visit to our firm, be it the work- shops you are interested in most or any gentlemen you want to meet here, please let us know, we shall be only too glad to comply with your wishes.

Hoping that we may have the pleasure of welcoming you to our firm we remain,

Yours very truly,

F R I E D . K R U P P

Handwritten signature

NOV 2 10 59 AM 1956

DAS DIREKTORIUM

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

- Schröder -

- Herrmann -

BUNDESVERBAND
DER
DEUTSCHEN INDUSTRIE E. V.
DER PRÄSIDENT

Cologne, October 12th, 1956

Dear Mr. Black:

It is a great pleasure for me to learn that you are prepared to accept an invitation of the German industry to spend some days in the Federal Republic.

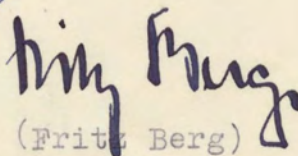
I, therefore, have the honour of inviting you on behalf of the Board of the Federation of German Industries to come to the Federal Republic. May I suggest for this visit the days of November 18th to 24th, 1956 ?

We should be very much honoured if you accept this invitation. I am convinced that your visit will considerably contribute to strengthen the ties of a confident collaboration between the International Bank for Reconstruction and Development and the Federal Republic.

As soon as you will have accepted our invitation definitively, I shall make you some proposals as to the arrangements and the program for your visit.

Hoping to see you here very soon, I remain with kind regards,

Very sincerely yours,


(Fritz Berg)

ack. Oct. 25

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 25, D. C.

TELEPHONE BABYLONE 17-10

CABLE ADDRESS: INTBAFRAD PARIS

PLEASE REPLY TO
PARIS OFFICE: 67, RUE DE LILLE
PARIS (7^e) - FRANCE

July 5, 1956

Mr. Joseph Rucinski
Director of Operations - Asia and
Middle East
International Bank for Reconstruction
and Development
Washington, D.C.


Dear Jeff:

While I was in London with Mr. Black and Harold Graves, Dr. Donner appeared in Paris and told Patten that he wanted to see me urgently because he had, on the basis of a conversation with you, told his Government that Mr. Black was not going to call in Cairo on his trip. Donner, however, left the day before I got back and I had a message asking me to write him at once to try and get him off the hook with his Government.

I therefore wrote to him and told him that Mr. Black had originally intended to come back straight from Tehran and had later changed his plans after he had decided to call in in Saudi Arabia and that as he could not get out of Saudi Arabia without going through Cairo he felt it polite to stay 24 hours and call on Nasser.

I also gave him a short summary of the kind of information about Mr. Black's trip that Mr. Black had given the Treasury in London. I did the same to Roger Hoppenot who was in Paris when I got back.

Yours ever,



John Duncan Miller
Special Representative in Europe

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 25, D. C.

CABLE ADDRESS: INTBFRAD PARIS

TELEPHONE BABYLONE 17-10

PLEASE REPLY TO
PARIS OFFICE: 67, RUE DE LILLE
PARIS (7^e) - FRANCE

July 5, 1956

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Director of Operations - Asia and
Middle East
International Bank for Reconstruction
and Development
Washington, D.C.

Dear Jeff:

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that he wanted to see me urgently because he had, on
the basis of a conversation with you, told his Govern-
ment that Mr. Black was not going to call in Cairo on
his trip. Donner, however, left the day before I got
back and I had a message asking me to write him at
once to try and get him off the hook with his Govern-
ment.

I therefore wrote to him and told him that Mr.
Black had originally intended to come back straight
from Tehran and had later changed his plans after he
had decided to call in in Saudi Arabia and that as he
could not get out of Saudi Arabia without going
through Cairo he felt it polite to stay 2 1/2 hours
and call on Nassar.

I also gave him a short summary of the kind of
information about Mr. Black's trip that Mr. Black had
given the Treasury in London. I did the same to
Roger Hoppenot who was in Paris when I got back.

Yours ever,

John G. D. Miller
Special Representative in Europe

RECEIVED
INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT

ISTITUTO REGIONALE PER IL FINANZIAMENTO
ALLE INDUSTRIE IN SICILIA

IL PRESIDENTE

November 26th, 1955

NOV 29 REC'D

7 files
12/2/55

Dear Mr. Black :

I have much appreciated the kind terms of your letter dated 16th inst. but I think better to thank you very much for the sympathy you have shown towards Sicily.

In fact, taking part in the authoritative interest of His Excellency the Minister Campilli and in the favourable proposal moved by the Cassa per il Mezzogiorno, particularly by its President Prof. Pescatore, you have reserved a considerable financial assistance to Sicilian industrial projects, which has allowed the Institute in carrying out more speedily a part of its programs.

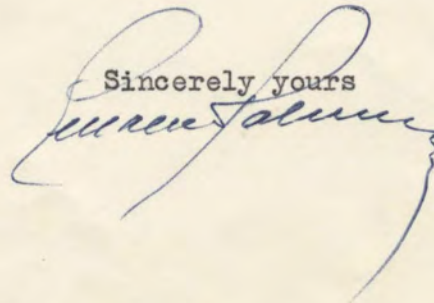
This particular sympathy for the Sicilian region which you have demonstrated since our first meeting on May 3rd current year, you have rewarded in keeping your word visiting Sicily on September 28th. You have been so kind and now you are thanking me.

I am sincerely grateful of your visit but I am still sorry that your stay in Sicily has been too short.

That's why I hope to see you here again on the occasion of accomplishing of the plants realized with IBRD assistance.

With these sentiments, mine and Mr. Dominici's kindest regards, I am

Sincerely yours



Mr. Eugene R. Black
President
International Bank for Reconstruction and Development
Washington 25, D.C.



Italy - 1st Black's
Tour
J

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

1818 H STREET, N. W.

WASHINGTON 25, D. C.

TELEPHONE EXECUTIVE 3-6360

CABLE ADDRESS-INTBAFRAD

1.

Rome, October 2nd, 1955.

Mr. Victor U m b r i c h t ,
Assistant Director,
Department of Operations EAA,
International Bank for
Reconstruction and Development
1818 H Street, N.W.,
Washington 25, D.C., U.S.A.

Rosen with it

Dear Victor,

I am sorry to be late getting these letters away,
but I was ill on Friday and could not get stenographic help
over the weekend.

This letter will give a chronological account of
Mr. Black's visit to Southern Italy and the Islands.

He arrived with Mrs. Black and Miss Lenihan and
Rosen from Istanbul on Saturday, September 17th. At 5 P.M.
we had an hour with the Governor of the Bank of Greece,
about which I will write you if Rosen has not already made
a note to files.

Jone.

On Sunday, September 18th, the Blacks, Ventimiglia
and Miss Lenihan left by car and I went with them as far as
Naples, putting them on the boat for Capri at 4,30 P.M. I
then returned to Rome.

I rejoined the party at Naples on the evening of
September 21st. Meanwhile, the party had spent the night of
the 20th at Positano and had visited Pompeii on the morning of
the 21st and two Plants - Dalmine and Navelmeccanica - in the
afternoon.

a

Copy in Gen. Negs.

acc. Oct. 11/55

October 22, 1953

Dear Mr. Black:

I have just reviewed the list of names of persons
listed under the heading "Persons who have been
very much for the stability of the American people."

In that connection, in the subjective list
of the individuals who have been listed in the
Government's report under the heading "Persons
who have received a considerable financial
benefit from the Government's financial programs
and who are carrying out some activity in the
program."

This particular sympathy for the American people
has had current progress have remained in being, but
very strikingly in October 1953. You have been
kind and now you are thinking so.

I am sincerely grateful to you for what I am
still sure that your staff in Chicago has been
doing.

That's why I hope to see you here again in the
context of cooperation of the financial world with
the Government.

With these remarks, mine and Mr. Black's, I am
trusting, I am

Sincerely,
Director

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FARMERS BANK FOR
CREDIT AND DEVELOPMENT
NOV 20 11 49 AM 1953

Mr. Robert W. Black
President
International Bank for Reconstruction and Development
Washington, D.C.

Letter to
Mr. Victor Umbricht,
2nd October, 1955.

On the morning of the 22nd we left Naples by private plane and flew to Foggia. There we saw the land re^{cl}formation works of the Cassa in the vicinity of Lago Contessa in the morning and lunched ^{cl} at Foggia. In the afternoon we drove to Bari, visiting re^{cl}formation works on the way and calling on the home of one of the peasants who had recently acquired newly irrigated land. The Minister of Agriculture was present at dinner that night at Bari, but Mr. Black was not able to attend.

On Friday, September 23rd, we made a tour by car of the Metaponto Area, driving as far as the Agri river. At six in the evening the party visited the Levante Fair at Bari and later was entertained at dinner by Prof. Tridente, the President of the Fair.

On the morning of the 24th we saw the site of the new thermo-power station to be erected at Bari with the help of our recent Loan and then flew over the Metaponto Area and by way of the Mucone reservoir, to Comiso in Sicily. There we were met by representatives of Gulf Italia and taken to see their new oil wells in the vicinity of Ragusa. They now have 8 producing wells and are drilling 2 more and hope to have a production of 16,000 barrels a day by the end of 1956.

After lunch with Gulf Italia we flew over the area behind Aetna, where the Pozzillo reservoir for the Catania irrigation project will be constructed; then landed at Catania and spent a couple of hours driving over the Catania plain, where our Irrigation Project will be located.

We arrived at Taormina late on Saturday afternoon and spent Sunday and Monday as days of rest. On Tuesday, September 27th, Mrs. Black and Miss Lenihan returned to Rome and other members of the party flew to Palermo in the morning. We spent about an hour with President Alessi of the Sicilian Regional Government, had a brief sight ^{cl} trip to Monreale, and were guests at lunch of the Regional Government. We left after lunch and flew to Alghero in Northern Sardinia, where we spent the night. On Wednesday the 22nd we spent a couple of hours inspecting Cassa irrigation works in the vicinity of Alghero, and at 11 A.M., at a rather large meeting in the Grand Hotel Alghero, the President of the Sardinian Regional Government presented a list of 7 small industrial projects which it was agreed would be

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Letter to
Mr. Victor Umbricht,
2nd October, 1955.

formally submitted through the Cassa as soon as they were ready. The latter half of the same meeting was occupied by a presentation in pictures and diagrams by Engineer Serafini of the Flumendosa Irrigation and Power Project. We were guests at lunch of the Sardinian Regional Government and returned to Rome in the late afternoon.

On Thursday, September 29th, Black, Ventimiglia and I had a joint meeting with members of the Italian Government, the Bank of Italy and the Cassa, about which I shall report separately. We were guests of the Italian Government at lunch and at 6,30 in the evening we paid a courtesy call on Prime Minister Segni. Mr. Black dined with Ambassador Luce.

On Friday morning (September 30th), the Blacks left by car for Naples. Ventimiglia accompanied them returning to Rome Friday evening and leaving for Paris at noon on Saturday.

Throughout the whole trip the Blacks were accompanied by Professor and Mrs. Gabriele Pescatore, by Engineer Orcel and by Dr. and Mrs. Piero De Palma, all of the Cassa, and in addition from the 17th to the 20th by Dr. and Mrs. Consolo, Head of the Irrigation Division of the Cassa.

Although he was extremely exhausted when starting the trip, Mr. Black stood the journey very well and expressed himself as having been very favorably impressed with the whole Cassa operation. Unfortunately, Mrs. Black was ill during her last three days in Rome.

Yours sincerely,

Sid
Sidney P. Wheelock

SPW:mbj

OCT 11 11 45 AM 1955

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INTERNATIONAL BANK FOR
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RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

OCT 7 11 47 AM 1955

STANLEY B. WHEELER

JOHN W. WHEELER

Just after 10:30 AM.

On October 7, 1955, Mr. Wheeler and I left New York for Washington, D.C. to attend a meeting of the Board of Directors of the International Bank for Reconstruction and Development. Mr. Wheeler and I arrived in Washington at approximately 1:30 PM and were met by Mr. [Name] at the airport. We were then taken to the hotel where we stayed for the night.

On October 8, 1955, the Board of Directors of the Bank met in the afternoon.

The meeting was held in the Board Room of the Bank. Mr. [Name] presided over the meeting. The agenda included reports from the various departments and a discussion of the Bank's operations. Mr. Wheeler and I attended the meeting and participated in the discussion.

After the meeting, Mr. Wheeler and I went to the airport to catch a taxi home. We arrived in New York at approximately 10:30 PM. Mr. Wheeler and I had a very productive meeting and were pleased with the results.

Yours truly,

Stanley B. Wheeler
John W. Wheeler

Enclosed for you are the following documents:

1. A copy of the minutes of the meeting of the Board of Directors of the Bank held on October 8, 1955.
2. A copy of the report of the Board of Directors of the Bank for the month of October, 1955.
3. A copy of the report of the Board of Directors of the Bank for the quarter ending October 31, 1955.

Very truly yours,
Stanley B. Wheeler
John W. Wheeler

11: Black tour

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL MONETARY FUND



TENTH ANNUAL MEETING BOARDS OF GOVERNORS ISTANBUL



HEADQUARTERS
WASHINGTON 25, D.C.

CABLE ADDRESS
JOINCON

September 16, 1955

Mr. Sidney Wheelock
Grand Hotel
Rome

Dear Sid:

This letter will explain some of the changes in the plans of Mr. Black's visit to Italy. First of all, it has now been arranged that Bill Ventimiglia will be accompanying the group, which will consist of the Blacks, you and him.

Secondly, it does not now appear that we will need to have discussions of policy in order to set the framework for Black's meetings on the 29th. Accordingly, there is no need for you to be pulled away from the tour in order to be with me in Rome. ☺

I am arriving Tuesday afternoon, will see Mehaffie then to get his report on the project. On Wednesday morning Aldewereld and I are visiting FAO, and on Wednesday afternoon Ellsworth Clark and I will discuss the agreement between the Cassa and ISVEMIR, and make some suggestions as to changes in it. On Thursday and Friday, if necessary, I will go over the financial arrangements for the Bacini project, and will leave on Saturday morning. *On Thursday afternoon I am also seeing IMI.*

Unless some special problems arise, I shall not try to contact Mr. Black, but if something urgent does come up, I will arrange to meet you in Bari for the evening of September 23rd.

Please confirm my hotel reservation before you get away. Have a good trip.

Very sincerely,

Martin M. Rosen

TRANSLATION

ROMA, September 1, 1955
VIA ANIENE, 14 - TEL. 849.420 - 426 - 427 - 428 - 429

Dear Mr. Rosen:

Finelettrica has insistently proposed to include in the itinerary for Mr. Black's tour the visit to an important hydro-power project on the Mucone river in Cosenza area (Calabria), financed with the IBRD Loan.

If Mr. Black accepts that variation, then the itinerary and program of the visit should be modified in accordance with the attached schedule for the days of September 20 to 24.

In order to finalize the organization of the tour, we would greatly appreciate an immediate answer by cable indicating whether preference is given to itinerary n. 1 (previously submitted) or to itinerary n. 2 (attached hereto).

Looking forward to the pleasure of seeing you soon, please accept cordial personal regards,

Sincerely yours,

/s/ Giuseppe Orcel

- Enclosure

Mr. Martin M. Rosen
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

SEP 1 1955
RECORDED AND INDEXED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

MOD. E. 24/P AEREA

ROMA
September 1, 1955
VIA ANIENE, 14 - TEL. 849.430 - 431 - 432 - 433

TRANSLATION

Dear Mr. Rosen:

Finletterica has insistently proposed to include in the itinerary for Mr. Black's tour the visit to an important hydro-power project on the Mucome river in Cosenza area (Cala prias), financed with the IBRD loan.

If Mr. Black accepts that variation, then the itinerary and program of the visit should be modified in accordance with the attached schedule for the days of September 20 to 24.

In order to finalize the organization of the tour, we would greatly appreciate an immediate answer by cable indicating whether preference is given to itinerary n. 1 (previously submitted) or to itinerary n. 2 (attached hereto). Looking forward to the pleasure of seeing you soon, please accept cordial personal regards,

Sincerely yours,

/s/ Giuseppe Orcei

- Enclosure

Mr. Martin M. Rosen
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

SEP 6 1 46 PM 1955
RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Pescatore v/or & c. uel
(*di Palm*
Arultr
Fravutti)
Carpelli on 20th

, September 1, 1955

TRANSLATION

Dear Mr. Rosen:

Finelettrica has insistently proposed to include in the itinerary for Mr. Black's tour the visit to an important hydro-power project on the Mucone river in Cosenza area (Calabria), financed with the IBERD Loan.

If Mr. Black accepts that variation, then the itinerary and program of the visit should be modified in accordance with the attached schedule for the days of September 20 to 24.

In order to finalize the organization of the tour, we would greatly appreciate an immediate answer by cable indicating whether preference is given to itinerary n. 1 (previously submitted) or to itinerary n. 2 (attached hereto).

Looking forward to the pleasure of seeing you soon, please accept cordial personal regards,

Sincerely yours,

/s/ Giuseppe Ornel

- Enclosure

Mr. Martin N. Rosen
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

Mr. Black's
Tour.

CASSA PER IL MEZZOGIORNO
IL DIRETTORE GENERALE

ROMA 1 settembre 1955
VIA ANIENE, 14 - TEL. 849.420 -426 -427 -428 -429

1

30430

Egregio Mr. Rosen,

la Finelettrica ha avanzato insistenti proposte di comprendere nell'itinerario per il viaggio di Mr. Black la visita di un importante impianto idroelettrico sul fiume Mucone, presso Cosenza (Calabria), finanziato col prestito BIRS.

Qualora Mr. Black accetti tale variante, l'itinerario ed il programma della visita per i giorni dal 20 al 24 settembre dovrebbero essere modificati secondo l'allegato alla presente lettera.

Affinchè si possa passare alla organizzazione definitiva del giro, sarebbe assai gradita una immediata risposta per cablogramma che indicasse la preferenza per l'itinerario n. 1 (primo inviato) o per l'itinerario n. 2 (itinerario allegato).

Anticipandomi il piacere di incontrarmi presto con Lei, La prego gradire i più cordiali personali saluti.

(Dr. Ing. Giuseppe Orcel)

- Allegato

Mr. Martin M. Rosen
Banca Internazionale per la
Ricostruzione e lo Sviluppo
1818 H Street, N.W.
Washington 25, D.C.

SEP 1 10 51 AM 1955

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Interim cable acknowledgment
Sept-7/55

MOD. N. 24/F AEREA

ROMA 1 settembre 1955
VIA ANIBALE 14 - TEL. 849.430 - 438 - 437 - 436 - 435

30430

Egregio Mr. Rosen,

La Finelétrica ha avanzato inaspettati proposte di
comprendere nell'itinerario per il viaggio di Mr. Black la
visita di un importante impianto idroelettrico sul fiume Mr
cone, presso Coesma (Colabria), finanziato col prestito
BIRS.

Qualora Mr. Black accetti tale variante, l'itinerario
ed il programma della visita per i giorni dal 20 al 24
settembre dovrebbero essere modificati secondo l'allegato al
la presente lettera.

Affinché si possa passare alla organizzazione definitiva
del giro, sarebbe assai gradita una immediata risposta
per capirci che indicasse la preferenza per l'itinerario
n. 1 (primo inviato) o per l'itinerario n. 2 (itinerario
allegato).

Anticipandovi il piacere di incontrarmi presto con
Lei, la prego gradire i più cordiali personali saluti.

(Dr. Ing. Giuseppe Orfei)

- Allegato

Mr. Martin M. Rosen
Bank International per lo Sviluppo
Ricostruzione e lo Sviluppo
1818 H Street, N.W.
Washington 25, D.C.

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INTERNATIONAL BANK FOR
ECONOM. AND DEVEL.
SEP 6 1 46 PM 1955

System code 0204040404
987-1/82

PROGRAM FOR THE VISIT OF MR. BLACK TO ITALY

(Modified to include the Mucone Power Project)

September 17

- X hrs. : Arrive in Rome
- Y hrs. : Transfer to Naples; lodging in Naples (Excelsior Hotel)

September 18

- 09:00 hrs. : Sail for Capri
- 11:05 hrs. : Arrive in Capri; lodging in Capri (Quisisana Hotel)

September 19

- Stay in Capri
(Program organized by the International Bank)

September 20

- 08:00 hrs. : Sail from Capri for Sorrento by chartered motor-boat
- 09:00 hrs. : Arrive at Sorrento; proceed for Pompeii by car
- 09:45
- 11:45 hrs. : Visit Pompeii excavations; proceed for Sorrento
- 12:30 hrs. : Visit Sorrento town
- 13:00 hrs. : Luncheon
- 14:45 hrs. : Proceed for Positano
- 15:15 hrs. : Visit Positano town
- 15:45 hrs. : Proceed for Amalfi
- 16:00 hrs. : Visit Amalfi town; tea at Cappuccini Hotel
- 18:00 hrs. : Proceed for Salerno
- 19:00 hrs. : Arrive at Salerno; lodging at the Jolly Hotel

September 21

- 09:10 hrs. : Leave Salerno by train for Paola
- 12:30 hrs. : Arrive at Paola; proceed by car for Cosenza
- 13:30 hrs. : Arrive at Cosenza; luncheon at Jolly Hotel
- 15:00 hrs. : Leave Cosenza by car for the Cecita dam
- 16:30 hrs. : Visit the dam and proceed for Mucone second stage power plant
- 18:30 hrs. : Visit the power plant
- 19:00 hrs. : Proceed for Cosenza
- 20:00 hrs. : Arrive at Cosenza; dinner and lodging at the Jolly Hotel

September 22

- 08:00 hrs. : Leave Cosenza by car for Metaponto area
- 10:30
- 12:15 hrs. : Visit Land Reform projects executed in the area (Policoro - S. Teodoro - Metaponto - Scanzano)
- 12:30
- 15:00 hrs. : Luncheon at Scanzano; proceed for Tara river
- 16:00
- 16:30 hrs. : Visit Tara irrigation project; proceed for Bari
- 18:00 hrs. : Arrive in Bari
In the evening, visit the "Fiera del Levante"
Dinner; lodging at Delle Nazioni Hotel

September 23

- 08:00 hrs. : Leave Bari by car for Matera
- 10:00
- 10:30 hrs. : Visit the "Sassi" and La Martella rural village
- 11:30
- 12:00 hrs. : Visit S. Giuliano dam on the Bradano river
- 12:30
- 14:00 hrs. : Luncheon at Matera (Jolly Hotel)
-

(September 23 continued)

- 14:00
- 17:30 hrs. : Proceed by car for the Rendina river; visit the Rendina dam
- 17:30
- 19:30 hrs. : Visit land transformation areas of central Ta voliere district; proceed for Foggia
- 20:00 hrs. : Arrive at Foggia
Dinner and lodging at the Sarti Hotel

September 24

- 09:00 hrs. : From Foggia to Comiso by chartered plane
- 10:30 hrs. : Arrive at Comiso; visit the oil fields
- 12:30 hrs. : From Comiso to Catania by plane
- 13:00 hrs. : Arrive in Catania; luncheon
- 15:00 hrs. : Visit the Piana di Catania district and the Pozzillo dam
Lodging at Taormina (S. Domenico Hotel)

September 25

- Stay in Taormina

September 26

- 09:00 hrs. : From Catania to Palermo by plane
- 10:00 hrs. : Arrive in Palermo; visit industrial plants; luncheon (offered by the Sicilian Regional Government)
- 17:00 hrs. : Leave Palermo by plane for Cagliari
- 18:30 hrs. : Arrive in Cagliari
Dinner offered by the Sardinian Regional Government
Lodging in Cagliari (Jolly Hotel)

September 27

- 09:00 hrs. : Leave for the Flumendosa project site; visit Flumendosa and Mulargia dams
Luncheon at works site
- 16:00 hrs. : Leave for Oristano
Visit Arborea and Oristano reclamation district
Lodging at Oristano (Jolly Hotel)

September 28

- 09:00 hrs. : Leave for Sassari
- 11:00 hrs. : Arrive at Sassari; visit Nurra reclamation district
- 13:00 hrs. : Luncheon at S. Maria La Palmas
- 15:00 hrs. : Leave for Alghero
- 16:30 hrs. : Fly from Alghero to Rome
- 18:00 hrs. : Arrive in Rome
Lodging in Rome (Grand Hotel)

September 29

- Meetings with Government authorities and Cassa officials
Lodging in Rome (Grand Hotel)

September 30

- X hrs. : Leave Rome for Naples
- 16:00 hrs. : Sail from Naples on M/S "Colombo"

(Program organized by the Cassa per il Mezzogiorno)

23 e 1 ve BM 1982

RECONSTRUCTION DELEGATE
INTERNATIONAL BANK FOR
RECONSTRUCTION

September 27

- 09:00 hrs. : Leave for the Flumendosa project site; visit Flumendosa and Mularis dams
Luncheon at work site
- 16:00 hrs. : Leave for Oristano
Visit Arborea and Oristano reclamation district
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September 30

- X hrs. : Leave Rome for Naples
- 16:00 hrs. : Sail from Naples on M/S "Colombo"

(Program organized by the Cassa per il Mezzogiorno)

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
SEP 6 1 46 PM 1955

Italy - Mr. Black's
tour

- 2 -

I hope this will be satisfactory and, in order to help clear up whatever last minute questions may arise, I am planning to pass through Rome on my way to Istanbul. If convenient to you, I would arrive in Rome on September 8 from London and leave on September 10 for Istanbul. At the same time, we could discuss together arrangements for the negotiations on the remaining industrial projects in the loan. I know that Mr. Wheelock has already written to you with some information on the Bacini Siciliani project and saying that we expected that Mr. Mahaffey would arrive in Italy during the week of September 12 in order to make the necessary technical examination of the project.

August 11, 1955

Dear Professor Pescatore:

Thank you very much for your very nice letter of July 20, which arrived while I was still absent on vacation. We are all pleased with the speed and efficiency with which the necessary documents were prepared so that the loan could be made effective for the power and irrigation sectors.

The schedule you have prepared for the proposed visit of Mr. Black appears to me in general to be an excellent one. I have only a few suggestions to make on this. The first arises from the fact that we now find that the ship, on which Mr. Black is scheduled to sail, leaves Naples on September 30 rather than September 29. This leaves an extra day and what I would suggest for your consideration is that Sunday, September 25, should be set aside as a day of vacation which might conceivably be spent at Taormina, thus advancing the rest of the schedule by one day. I have never had the pleasure of visiting Taormina but Mr. Wheelock tells me that it is one of the most beautiful places in the world and would be an ideal place to spend a day of rest. The party will be in Sicily at that time so the visit should fit in with the schedule.

A specific comment I have is that the schedule for September 22 and 23 appears to be a bit strenuous since, as presently planned, it begins at nine in the morning and does not end until eight in the evening. Our experience shows that on this kind of visit one very frequently runs a bit behind schedule and I wonder whether we may not be trying to do a bit too much during these two days.

As far as specific arrangements are concerned, Mr. Black will make his own arrangements for the period until September 20 and the official visit might be presumed to begin at 17:25 on September 20 on arrival at Sorrento. All necessary transportation arrangements and hotel accommodations up to that point would be made by the Bank. If the party could be met at that time by whoever will make the tour with Mr. Black, the rest of the visit could be considered as the official visit. I presume that, in that case, you would make the arrangements for hotels and transportation, including whatever arrangements for the chartered plane may be needed.

MR:esen:dba

✓ Paris 1 + 5 to Loan 117

2 July - J. Black's
tour

I hope this will be satisfactory and, in order to help clear up whatever last minute questions may arise, I am planning to pass through Rome on my way to Istanbul. If convenient to you, I would arrive in Rome on September 8 from London and leave on September 10 for Istanbul. At the same time, we could discuss together arrangements for the negotiations on the remaining industrial projects in the loan. I know that Mr. Wheelock has already written to you with some information on the Bacini Siciliani project and saying that we expected that Mr. Mehaffey would arrive in Italy during the week of September 12 in order to make the necessary technical examination of the project.

I do hope these arrangements will be convenient and if there are any suggestions at all to be made, we shall be most happy to receive them. and efficiency with which the necessary documents were prepared so that the loan could be made effective for the power and irrigation sectors.

With best personal regards to you, Dr. Orsel, and your associates,

The schedule you have prepared for the proposed visit of Mr. Black appears to me in general to be an excellent one. Very sincerely yours, a few suggestions to make on this. The first arises from the fact that we now find that the ship, on which Mr. Black is scheduled to leave Naples on September 30 rather than September 29. This leaves an extra day and what I would suggest for your consideration is that September 25, should be set aside as a day of vacation which might be spent at Taormina, thus advancing the rest of the tour. Assistant Director of Operations Europe, Africa and Australasia it is one of the most beautiful places in the world and would be an ideal place to spend a day of rest. The party will be in Sicily at that time so the visit should fit in with the schedule.

Professor Gabriele Pescatore
President
Cassa per il Mezzogiorno
Via Aniene 14
Rome, Italy
I have is that the schedule for September 22 and 23 to be a bit strenuous since, as presently planned, it begins at 17:25 on September 20 on arrival at Taormina. Our schedule does not end until eight in the evening. Our schedule shows that on this kind of visit one very frequently runs a bit tight and I wonder whether we may not be trying to do a bit too much during these two days.

As far as specific arrangements are concerned, Mr. Black will make his own arrangements for the period until September 20 and the official visit might be expected to begin at 17:25 on September 20 on arrival at Taormina. Necessary transportation arrangements and hotel accommodations up to that point would be made by the Bank. If the party could be met at that time, however will make the tour with Mr. Black, the rest of the visit could be considered as the official visit. I presume that, in that case, you would make the arrangements for hotels and transportation, including whatever arrangements for the chartered plane may be needed.

MMRosen:db

✓ Paris 105 to Loan 117

Mr Rosen

Italy - Four - Mr Black

July 26, 1955

Dear Mr. Pescatore:

In Mr. Rosen's absence on vacation from the Bank, I am replying to your kind letter of July 20 addressed to him. I am sure that Mr. Rosen will wish to write to you in some detail regarding Mr. Black's proposed itinerary in Southern Italy when he returns to the office next week. In the meantime, please accept our thanks for your efforts in the planning of Mr. Black's itinerary.

With reference to the transmittal of the remaining documents necessary to make Loan 117-IT effective, I sent you the following cable yesterday:

"Thanks your cable July 23 pleased to hear documents will be ready July 26 stop Since Clark is now in London would appreciate your sending them to him at Lansdowne Club Berkeley Square London W1 he will then communicate with you from London if necessary"

I trust that you will find this arrangement satisfactory.

Best wishes for your pleasant vacation.

Sincerely yours,

S. R. Cope
Director of Operations
Europe, Africa and Australasia

Mr. Gabriele Pescatore
President
Cassa per il Mezzogiorno
Via Anieni, 14
Rome, Italy

MRoss:vmc

Copy in Italy - Ln 117

Italy-four.
Mr. Black

20 LUG. 1955

ROMA
VIA ANIENE, 14 - TEL. 849,420 -426 -427 -428 -429

1/25247

Mr. Martin M. Rosen
International Bank for
Reconstruction and Development
1818 H. Street, N.W.
Washington 25, D.C.

In any case, I will appreciate if you will let me know your comments on, and suggestions to, the program I have submitted to you.

Dear Mr. Rosen,

I have received your kind letter of July 1 and like to take this opportunity to wish you enjoyable vacations.

I have promptly managed to prepare for Mr. Black's visit to Italy the enclosed program which, while meeting Mr. Black's wishes, would not be too heavy. I will appreciate your comment on it.

The itinerary which is suggested would permit Mr. Black to visit, for a short stay, the resorts mentioned in your letter, in the scheduled times.

As indicated in the program, Mr. Black would be able to visit the Catania Project and other important works in Sar dinia financed by the Cassa and at present underway. Although the Ragusa oil fields are not actually covered by Cassa program, I will do my best in order that the wish expressed by Mr. Black may be fulfilled.

Along the itinerary Mr. Black will also be given the opportunity of seeing some irrigation projects as well as some industrial plants financed through previous I.B.R.D. loans to the Cassa.

With my best and most cordial greetings.

Formal entertainment will be kept to a minimum, and a day has been reserved for Mr. Black's talks with the Government. September 29 will be kept at Mr. Black's disposal for personal engagements and sailing from Naples.

Gabriela Pescatore
Gabriela Pescatore

20 LUG. 1955

ROMA

VIA ANIENE Foglio n. 2

1/25247
Mr. Martin M. Rosen

The use of a chartered airplane will be necessary to carry out the whole program, unless the visit to the two major islands is cancelled, as I would not advise to limit the visit to only one island.

In any case, I will appreciate if you will let me know your comments on, and suggestions to, the program I have submitted to you.

As to the question of the "Industrial Project Un allocated" I want to inform you that the answer of "Bacini Siciliani" to the conditions required by the Bank for the loan has already been transmitted by separate letter to Mr. Wheelock.

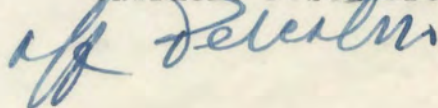
I want also to thank you for the information you gave me on the Bombrini-Parodi-Delfino Synthetic Fiber Project and remain waiting for further communication on the matter.

I believe to have complied with Mr. Clark's request as to the transmittal of documents relating to the effective date of the Loan Agreement and, as soon as I will receive his comments, I will be ready to send him those additional documents which may be needed.

I will be out of Rome the whole month of August but I will keep in constant touch with Cassa offices. In my absence, Mr. Orsel, who will remain in Rome, has received proper instructions in order to answer possible Bank's requests.

With my best and most cordial greetings.

Formal entertainment will be kept to a minimum, and a day has been reserved for Mr. Black's talks with the Government. September 29 will be at his disposal for personal engagements and sailing from Naples.

Sincerely yours,
Gabriele Pescatore


PROGRAM FOR THE VISIT OF MR. BLACK TO ITALYSeptember 17, 1955

- X hrs. arrive in Rome.
- Y hrs. transfer to Naples - Night in Naples
(Hotel Excelsior)

September 18

- 9 hrs. leave for Capri.
- 11:05 hrs. arrive in Capri.
- Night in Capri (Hotel Quisisana)

September 19

- Stay in Capri.

September 20

- 16:45 hrs. sail from Capri.
- 17:25 hrs. arrive at Sorrento (drive from Sorrento
to Positano)
- Night at Positano (Hotel La Sirensusa)

September 21

- 10 hrs. - From Positano to Amalfi, Pompei and
Naples (by car).
- Night in Naples (Hotel Excelsior)

September 22

- 9 hrs. - From Naples to Foggia by special airplane.
- 10 hrs. - Arrive at Foggia.
- 10:30 hrs. - Visit to the reclamation works of Lago
Contessa and to the Land Improvement
Area of Central Tavoliere.
- 13 hrs. - Lunch at Arda Macchia Rotonda.

Monte Cassino

- 15 hrs. - Leave for the Rendina Dam.
- 17 hrs. - Visit the Rendina Dam site.
- 18 hrs. - Visit to the Land Reform Center of Gaudiano.
- 20 hrs. - Arrive in Bari.

Night in Bari, Hotel delle Nazioni.

September 23

- 9 hrs. - From Bari to Metaponto and Scanzano
Visit to the Tara Irrigation Scheme and to
the Land Reform Area of Metaponto.
- 13 hrs. - Lunch at Scanzano (offered by the Land Reform
Agency)
- 15 hrs. - Leave for Matera - Visit to the "Sassi" and
to the rural villages of La Martella and
Venusio.
- 20 hrs. - Arrive in Bari - Night in Bari (Hotel delle
Nazioni).

September 24

- 9 hrs. - From Bari to Comiso by special airplane.
- 10:30 hrs. - Arrive at Comiso - Visit to the oil fields.
- 12:30 hrs. - From Comiso to Catania by plane.
- 13 hrs. - Arrive in Catania - Lunch.
- 15 hrs. - Visit to the Land Reclamation District of
the Catania Plain and to the Pozzillo Dam.

Stay at night in Acitrezza (Hotel Eden
Riviera)

September 25

- 9 hrs. - From Catania to Palermo, by airplane.
- 10 hrs. - Arrive in Palermo
Visit to industrial plants
(Ospitality offered by the Sicilian Regional
Government).

- 17 hrs. - From Palermo to Cagliari by airplane.
- 18:30 hrs. - Arrive in Cagliari.
Dinner offered by the Sardinian Regional Government.
Night at Cagliari, Hotel Jolly.

September 26

- 9 hrs. - Leave for the Flumendosa Project sites.
Dams on the Flumendosa and Mulargia rivers.
Lunch on the work sites. X
- 16 hrs. - Leave for Oristano
Visit to the Land Reclamation Districts of Arborea and Oristano.
Night at Oristano (Hotel Jolly).

September 27

- 9 hrs. - Leave for Sassari.
- 11 hrs. - Arrive at Sassari
Visit to the Nurra area.
- 13 hrs. - Lunch at Santa Maria La Palmas.
- 15 hrs. - Leave for Alghero.
- 16:30 hrs. - Fly from Alghero to Rome.
- 18 hrs. - Arrive in Rome.
Night in Rome (Grand Hotel)

September 28

- Talks with the Government and Cassa officials.
Night in Rome (Grand Hotel).

September 29

- X hrs. - Leave for Naples.

Sat 4 PM 30th Naples

20 LUG. 1955

ROMA

VIA ANIENE, 14 - TEL. 849.420 -426 -427 -428 -429
VIA ANIENE, 14 - TEL. 849.430 -435 -427 -428 -429

1/25264

Egregio Signor Rosen,

ho ricevuto la Sua gradita lettera del 1° luglio u. s. e desidero anzitutto augurarLe liete e meritate vacanze.

Mi sono subito occupato di congegnare, per il Signor Black, in occasione dell'annunciato viaggio in Italia, un programma che potesse soddisfare i suoi desideri e nello stesso tempo non fosse eccessivamente gravoso, programma che Le rimetto allegato e sul quale La prego di voler esprimere il Suo parere.

Con l'itinerario che viene prospettato il Sig. Black potrebbe sostare e visitare le località turistiche che Lei ha indicato nella lettera alla quale rispondo e per il tempo da Lei stesso indicato.

Inoltre il Sig. Black potrebbe prendere visione della zona interessata dai lavori della Piana di Catania e di alcuni lavori importanti che la "Cassa" ha in corso di esecuzione in Sardegna. Non rientra nelle possibilità della "Cassa" assicurare la visita ai campi petroliferi di Ragusa; comunque mi adopererò affinché questo desiderio del Sig. Black possa realizzarsi.

Lungo l'itinerario il Sig. Black potrà visitare l'esecuzione di qualche progetto irriguo e di qualche impianto industriale finanziato con i precedenti Prestiti della B. I. R. S. alla "Cassa".

I ricevimenti ufficiali saranno ridotti al minimo indispensabile ed è stata inoltre assicurata una giornata libera per le visite del Sig. Black, e relative conversazioni, a uomini di Governo italiani.

Il 29 settembre sarà interamente a disposizione del Sig. Black per raggiungere Napoli per l'imbarco e per eventuali impegni personali.

Per poter realizzare il programma sarà necessario far ricorso ad un aereo privato, senza di che bisognerebbe rinunciare alla visita alle due isole maggiori. Sconsiglierei di visitarne una sola.

Resto, comunque, in attesa del benessere sul programma allegato.

Mr. MARTIN M. ROSEN
Banca Internazionale per la Ricostruzione
e lo Sviluppo
1818 H Street, N. W.
WASHINGTON 25, D. C.

(U. S. A.)

./.

20 LUG. 1955

ROMA

VIA ANIENE, 14 - TEL. 849.420 -426 -427 -428 -429

1/25264

Egregio Signor Rosen,

Per quanto riguarda la "parte di Prestito per progetti industriali non ancora destinata", La informo che con lettera a parte al Sig. Wheelock è stata comunicata alla B. I. R. S. la risposta della Società Bacini Siciliani alle condizioni poste per l'assunzione del Prestito, in occasione dell'annunciato viaggio in Italia, un programma che potesse soddisfare i suoi desideri. La ringrazio per le notizie fornitemi in ordine al progetto della Bombrini Parodi Delfino per fibre sintetiche e resto in attesa di ulteriori informazioni in merito ai progetti finanziabili in via sussidiaria.

Credo di aver provveduto a soddisfare tutte le richieste del Sig. Clark per quanto riguarda l'invio del materiale connesso all'entrata in vigore del Prestito e mi riservo, non appena avrò avuto notizie da lui, di fargli tenere ulteriore materiale eventualmente occorrente.

Inoltre il Sig. Black potrebbe prendere visione della zona interessata dai lavori. La informo che durante il mese di agosto sarò assente da Roma, pur mantenendomi in contatto continuo con gli Uffici della "Cassa". della "Cassa" assicurare la visita ai campi petroliferi di Ragusa; comunque mi adopererò affinché a Roma resterà, invece, l'Ing. Orcel il quale ha avuto da me istruzioni per corrispondere ad eventuali esigenze di codesto Istituto.

Lungo l'itinerario il Sig. Black potrà visitare l'esecuzione di qualche progetto irrealizzabile. Con i migliori e più amichevoli saluti mi abbraccio con i precedenti Prestiti della B. I. R. S. alla "Cassa".

I ricevimenti ufficiali saranno ridotti al minimo indispensabile ed è stata inoltre assicurata una giornata libera per le visite del Sig. Black, e relative conversazioni, a uomini di Governo italiani.

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1818 H Street, N. W.

WASHINGTON 25, D. C.

(U. S. A.)

PROGRAMMA PER LA VISITA DI MR. BLACK
IN ITALIA

17 settembre 1955

- ore X arrivo a Roma.
- " Y trasferimento a Napoli - pernottamento a Napoli (Albergo Excelsior).

18 settembre

- ore 9 partenza per Capri.
- " 11.05 arrivo a Capri.
- Pernottamento a Capri, Albergo Quisisana.

19 settembre

- Permanenza a Capri.

20 settembre

- ore 16.45 partenza da Capri.
- " 17,25 arrivo a Sorrento (in auto da Sorrento a Positano)
- Pernottamento a Positano, Albergo La Sirenusa.

21 settembre

- ore 10 - Da Positano a Amalfi, Pompei e Napoli in auto.
- Pernottamento a Napoli Albergo Excelsior.

22 settembre

- ore 9 - In aereo speciale da Napoli a Foggia
- ore 10 - Arrivo a Foggia
- ore 10.30 - Visita ai lavori del Lago Contessa ed alle zone di T. F. del Tavoliere Centrale
- ore 13 - Colazione ad Arda Macchia Rotonda

segue giorni 22 sett.

- ore 15 - Partenza per la diga del Rendina
- ore 17 - Visita ai lavori della diga del Rendina
- ore 18 - Visita ai centri di Riforma di Gaudiano
- ore 20 - Arrivo a Bari

Pernottamento a Bari, Albergo delle Nazioni.

23 settembre

- ore 9 - Da Bari a Metaponto ed a Scanzano
Visita agli impianti del Tara ed alle zone di
riforma del Metaponto.
- ore 13 - Colazione a Scanzano (Ente Riforma).
- ore 15 - Per Matera - Visita ai Sassi ed alle Borgate la
Martella e Venusio.
- ore 20 - Arrivo a Bari - Pernottamento a Bari, Albergo
delle Nazioni.

24 settembre

- ore 9 - In aereo speciale da Bari a Comiso
- ore 10,30 - Arrivo a Comiso - Visita ai campi petroliferi
- ore 12,30 - In aereo da Comiso a Catania
- ore 13 - Arrivo a Catania - Colazione
- ore 15 - Visita al comprensorio della Piana ed alla
diga del Pozzillo.
Pernottamento ad Acitrezza - Albergo Eden
Riviera.

25 settembre

- ore 9 - In aereo da Catania a Palermo
- ore 10 - Arrivo a Palermo
Visita agli impianti industriali.
Colazione e pernottamento (offerta dal Governo Regionale).
- ore 17 - Partenza in aereo da Palermo a Cagliari.
- ore 18, 30 - Arrivo a Cagliari
Pranzo offerto dal Governo Regionale Sardo.
Pernottamento a Cagliari Albergo Jolly

26 settembre

- ore 9 - Partenza per gli impianti del Flumendosa -
Dighe del Flumendosa e del Mulargia
Colazione in cantiere.
- ore 16 - Partenza per Oristano
Visita al comprensorio di Arborea e di Oristano
Pernottamento ad Oristano Albergo Jolly

27 settembre

- ore 9 - Partenza per Sassari
- ore 11 - Arrivo a Sassari
Visita al comprensorio della Nurra
- ore 13 - Colazione a S. Maria La Palmas
- ore 15 - Partenza per Alghero
- ore 16, 30 - Partenza da Alghero - In aereo per Roma.
- ore 18 - Arrivo a Roma.
Pernottamento a Roma Grande Hotel

28 settembre

- Conversazioni con le Autorità politiche e coi Dirigenti della "Cassa"
Pernottamento a Roma al Grande Hotel.

29 settembre

- Ore X partenza da Roma per Napoli.

Italy - Four -
Mr. Black

July 1, 1955

Dear Professor Pescatore:

As I am leaving my desk tonight for a month's vacation, I thought I would write to you to discuss certain matters of unfinished business which were outstanding between us when you left Washington to return to Rome.

One of these matters is the proposed visit to Southern Italy and the Islands of Mr. Black and his group after the Bank's Annual Meeting. The composition of the group is not certain but will probably include Mr. and Mrs. Black, a lady secretary of Mr. Black, Mr. Graves (Director of Information), whom you have already met, Mrs. Graves, and myself. We shall advise you as soon as this becomes more definite.

Mr. Black has asked me to discuss the itinerary of the trip with you. Since it will be coming immediately after the Annual Meeting, which will undoubtedly be quite strenuous, the schedule should not be too heavy. We shall probably be arriving in Rome on Saturday, September 17, directly by air from Istanbul. I think the best thing to do would be to go directly on Sunday via Naples to Capri and to spend Monday and Tuesday there, leaving Tuesday afternoon for Sorrento so that the Amalfi Drive could be made on Wednesday. Both Mr. and Mrs. Black are very much interested in Pompeii (Mr. Black has been studying very carefully the attractive books on the Villi di Mistere which Mr. Campilli sent him), and I think the trip should include a day at Pompeii. There should also be a visit to Sicily, probably lasting two days, which would cover, among other things, the Catania Project and the Ragusa oil fields. There should also be a visit to Sardinia and enough time on the southern mainland to see an irrigation project and perhaps some of the industrial works which have been financed by the earlier Bank loans to the Cassa. There should also, of course, be a day in Rome for talks with the Government. We shall sail from Naples on September 29.

Mr. Black would like to keep the formal entertainment to a minimum and my suggestion is that the stay in Capri through Tuesday might be considered as unofficial so that the official visit begin only after that time.

I realize, of course, that you know the area much better than we do and, therefore, we would be most appreciative of your suggestions on the schedule and the itinerary.

Turning now to the questions of the "industrial project unallocated" we have been wondering how you have been getting along with your investigation into the Bacini-Siciliani proposals. In this connection we have not forgotten that we promised you an opinion on the Bombrini-Parodi-Delfino synthetic fiber project. Our delay in writing to you on this matter has been caused by an interesting development. While we were still studying the files, we had a telephone call from a large private bank in New York inquiring about this project

Follow in Italy - Lm 117

and indicating their interest in providing financial assistance directly to BPD. We offered them all possible assistance in appraising the project which it seems to us might be of some interest to the private bank. We have not yet heard from them of the decision of their Credit Committee but Mr. Wheelock is following this matter up and will write to you next week.

Mr. Clark tells me that, as you and he agreed, you have sent him on a personal and confidential basis a large amount of material relating to the effective date of the loan which he will examine over the coming weekend. You may, therefore, expect to hear from him during the coming week.

I hope that you, yourself, will have some opportunity to take a much needed rest during the coming summer and I look forward most eagerly to seeing you again in Rome on or about September 17. With warmest personal regards,

Very sincerely yours,

Martin M. Rosen
Assistant Director of Operations
Europe, Africa and Australasia

Professor Gabriele Pescatore,
President
Cassa per il Mezzogiorno
Via Aniene 14
Rome, Italy

SPWheelock:MMRosen:dbb

Italy - Mr. Black's
tour.

OFFICE MEMORANDUM

MAY 27 REC'D

TO: Mr. Eugene R. Black

DATE: May 27, 1955

FROM: C. W. Fleisher

SUBJECT: Suggested trip through southern Italy

*Mr. Rosen; H. ...
S. ...
E. ...*

In accordance with your request I am submitting for your consideration an outline of a trip through southern Italy. This outline incorporates the suggestions of Messrs. Wheelock, Finne and Armstrong and others who have been in Italy recently.

First Day

Fly to Palermo, Sicily, leaving Rome at 7:30 a.m. and arriving at 10:10 a.m.

You might be interested in meeting Mr. G. Dominici from IRFIS (Istituto Regionale per il Finanziamento alle Industrie in Sicilia) which is financing many new projects. Two industrial projects, the Farmedi Company and the Cementerie Siciliane, being financed under the new loan are located in or near Palermo. Either Mr. L. Zaecarelli or Mr. A. Catani from Cementerie Siciliane would be available for discussions. Mr. Altieri, the principal owner of Farmedi is located in Rome but, I'm sure would be happy to meet you in Palermo if you wished.

The new Montecatini fertilizer plant, financed under the first Cassa loan and the first super-phosphate plant in Sicily, can be reached from Palermo. I'm told however that to visit this plant would require an extra day's travel time.

Second Day

Drive to Catania passing through the Catania irrigation project area. This project is being financed under the new loan to the Cassa.

Third Day

Drive to the Sicilian oil field near Siracusa and Augusta. This is a new field with 5 producing wells developed by private companies. This field may be a key factor in decisions on the future of the ENI oil monopoly.

Three industrial projects, the S.F.A.S. citrus plant and the Sincat and Siculazote fertilizer plants being financed under the new loan, are nearby although there may not be much progress on construction by the time of your visit. You might like to meet the following people:

1. S.F.A.S.

Dr. G. Paterno Castello, President
Mr. Placido Spadero, a large shareholder

2. Sincat

Mr. Carlo Ciriollo, member of the Board

3. Siculazoto

Mr. Ermano Gurgo-Salice, Director

We suggest driving back to Rome in order that you may see the southern mainland and several of the Cassa projects.

Fourth Day

Drive to Cosenza. On the way you would pass through Messina, crossing the Messina Straits.

Fifth Day

Visit the S.M.E. power projects being financed under the new loan. Mr. G. Cenzato, President, Mr. Masturzo, General Manager, and Mr. Cerillo, Chief Engineer, would be able to discuss the project with you.

Drive to Catrovillari. On the way you would pass through the Sila reforestation project area.

Sixth Day

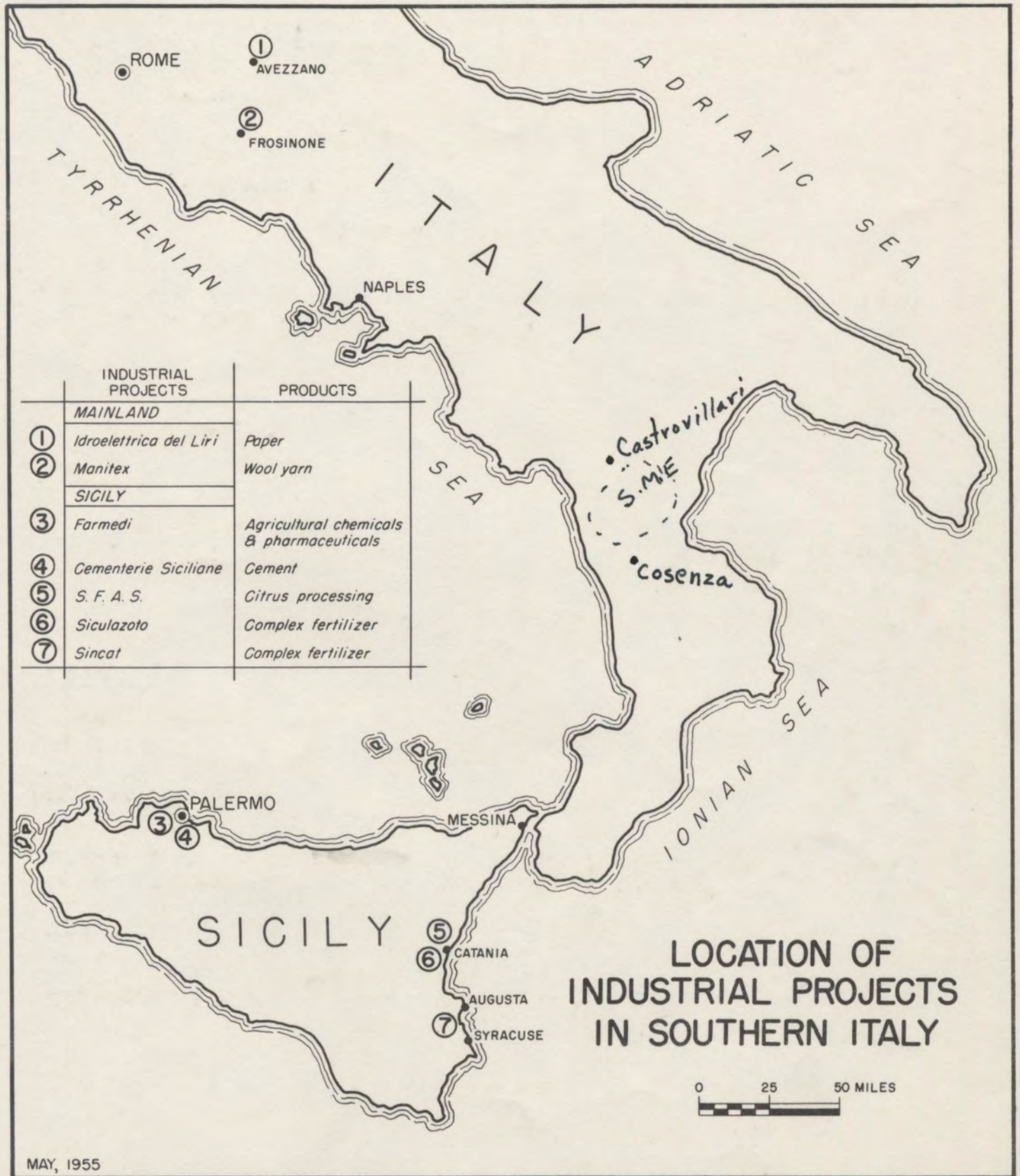
Drive to Amalfi or Naples. As an interesting sidelight, you could visit the Greek Temple at Paestrum.

Seventh Day

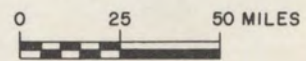
The new Dalmine welded tube mill financed under the first Cassa loan is in Naples. You might also like to meet Mr. G. Frignani, Director General and Mr. M. Battistelli, Deputy Director General of Isveimer.

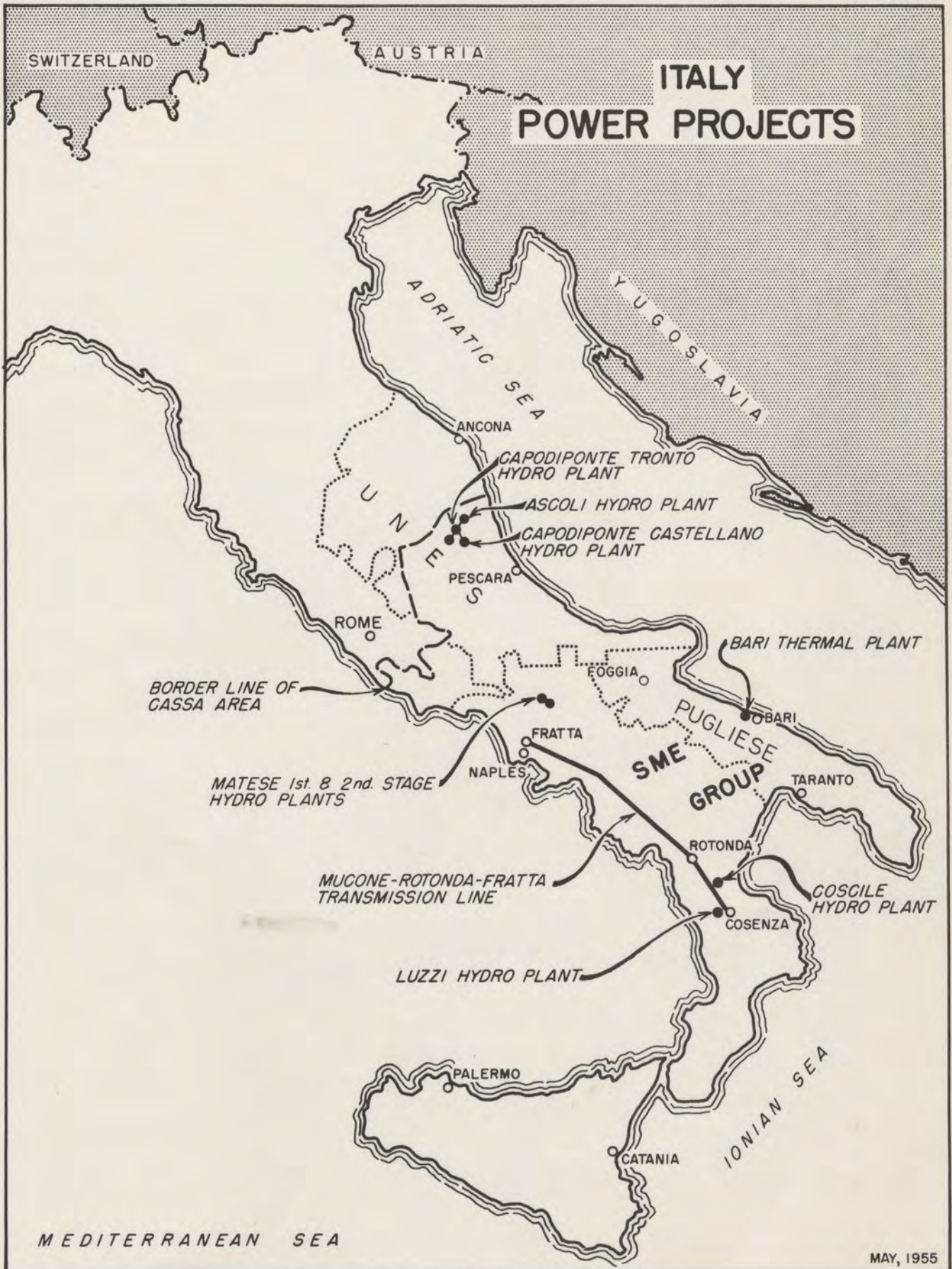
Eighth Day

Drive to Rome. On the way you would pass through the Volturno/and reclamation and irrigation project of the Cassa.








LOCATION OF INDUSTRIAL PROJECTS IN SOUTHERN ITALY

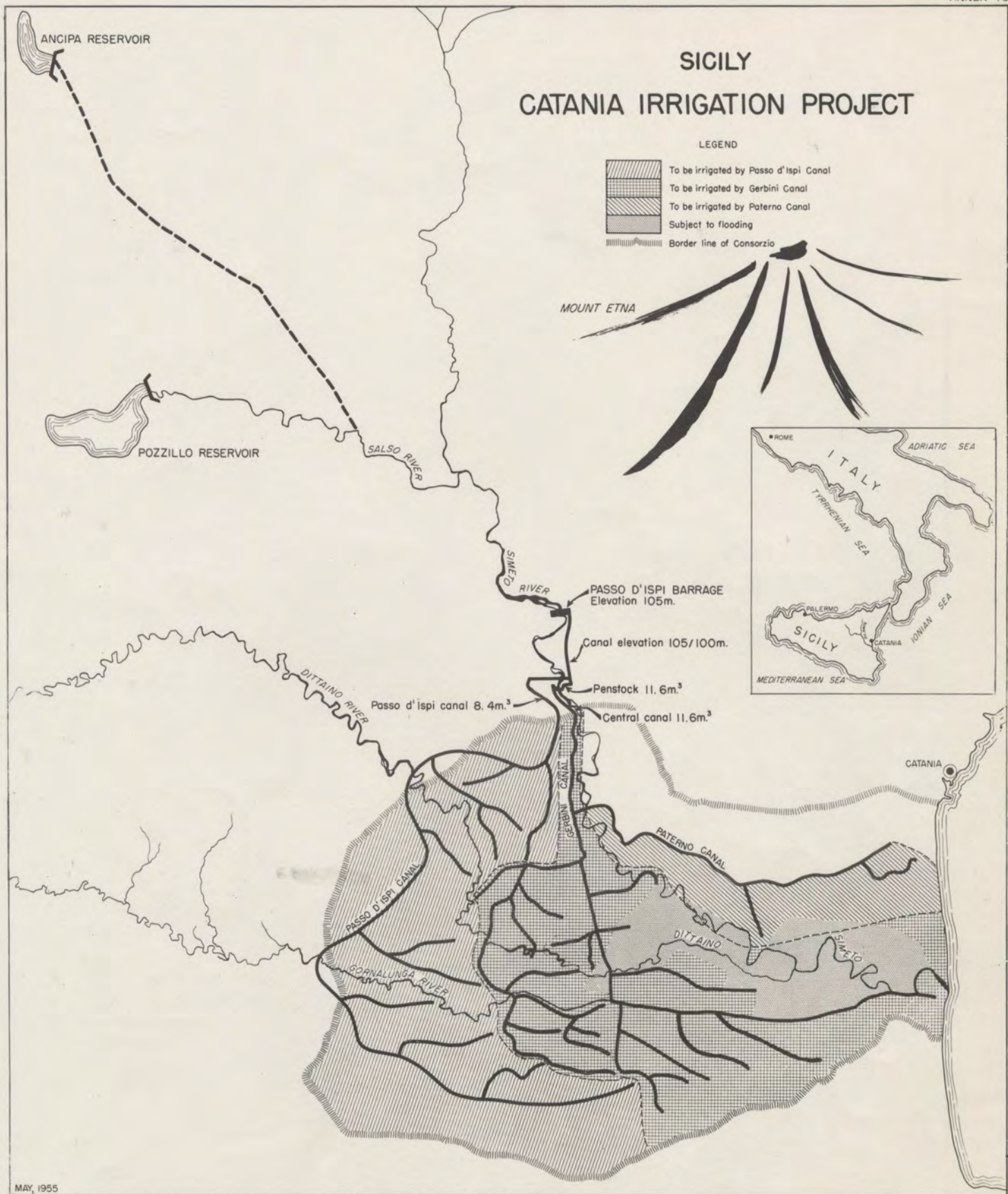




SICILY CATANIA IRRIGATION PROJECT

LEGEND

-  To be irrigated by Passo d'Isipi Canal
-  To be irrigated by Gerbini Canal
-  To be irrigated by Paterno Canal
-  Subject to flooding
-  Border line of Consorzio



James Black ?

OCT 18 RECD

SECRETARIO DE HACIENDA Y CREDITO PUBLICO
MEXICO.

October 6, 1954.

Mr. Eugene R. Black,
President, International Bank
for Reconstruction and Development,
Washington, D. C.

Dear Gene:

Upon renewing my activities once more at Mexico City, I wish first and foremost to inform you that the President of Mexico was very pleased to learn of your acceptance of the invitation which I extended to you in his name, to visit Mexico.

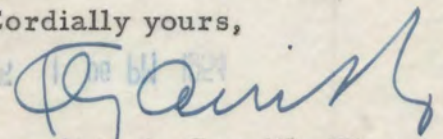
Be so kind as to advise me, well in advance, as to the most convenient date for you, sometime within the first three months of 1955.

As I then expressed to you, it would be most desirable if you could inspect, even at bird's eye view, aboard a Government airplane, the region traversed by the Pacific Railway. Afterwards, you could spend a few days at Mexico City and also visit Acapulco.

The President of Mexico himself has stated that he would be delighted to give a dinner in your honor at his Official Residence, "Los Pinos", in appreciation for the very friendly cooperation which the International Bank has shown towards Mexico, under your able leadership.

With warmest personal regards and my sincere thanks for your attentions during my recent visit to Washington, I remain,

Cordially yours,



Antonio Carrillo Flores.

P.S. - Naturally, we hope Mrs. Black will come also. I spoke to Bill Martin, who told me that he likewise would probably come.

ACF/mls.

OCT 18 1954

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[Handwritten signature]
OCT 15 10 09 PM 1954

P.S. - Naturally, we hope Mrs. Black will come also. I spoke to Bill Martin, who told me that he likewise would probably come.

ACE/mia.

157

Files

April 22, 1954

We did not really respond to this somewhat hypothetical question except to say that we would be very glad to study it very carefully when the discussion arose.
J. Burke Knapp

ARGENTINA - Mr. Black's visit March 15-17, 1954

It was made abundantly clear that the real concern of the Argentines lay with the fact that in order to join the Bank they would also have to join the Fund. They complained about this requirement.

The following notes are to record the principal points in connection with Mr. Black's visit to Argentina from March 15-17 last. Mr. Black arrived there upon the personal invitation of President Perón and he and his party were official guests of the Argentine Government. We received a very cordial --indeed an unusually warm reception from the moment of our arrival at the airport until our departure three days later. The visit was featured by a long interview with Perón and his leading Ministers, a subsequent conference with the "economic team" of Ministers headed by Dr. Gómez Morales, a courtesy call on the Foreign Minister, a formal dinner tendered by Mr. Gómez Morales and attended by 7 or 8 Ministers, and an all-day outing arranged by the Minister of Finance and President of the Central Bank, Dr. Miguel Revestido, who was in constant attendance upon Mr. Black during his stay in Buenos Aires.

The welcoming interview with President Perón lasted for about 1 1/2 hour and was conducted in a very cordial atmosphere. The President seemed to take a real interest in the proceedings, although the lead was soon taken by Dr. Gómez Morales the "Super-Minister" for Economic Affairs. A general presentation was made of Argentina's economic and financial picture with emphasis upon their investment plans. The discussion then turned to the Bank's operations, and Mr. Black talked of our activities and described the policies and procedures which govern our lending operations. During this meeting the Argentines were very coy about approaching the question of Argentina's membership in the Bank. On the other hand, they showed a lot of interest in the International Finance Corporation and put a number of questions to Mr. Black on that subject.

On the following day, however, when we met with the economic team, the discussion rapidly took a much franker turn. The Argentines gradually evidenced a very considerable interest in the Bank and in the eventual possibility of Argentina's membership. They showed an extensive knowledge of our operations and expressed particular interest in the possibility of financing purchases in Europe through Bank loans. They referred to the frequently reiterated policy of the Perón Administration not to become obligated on "foreign loans" but they seemed to be impressed with Mr. Black's response that loans from the International Bank, of which they would be a member, should not be placed in this category. They also said that from their own political point of view it would be a great deal easier if loans from the Bank were made not to the Argentine Government as such but rather to other entities with a guarantee provided by the Central Bank. They evidenced great interest in the question of whether the Bank would accept a Central Bank instead of a Government guarantee on its loans to Argentina, and in support of this procedure they maintained that thorough studies by the Export-Import Bank had led that Bank to the conclusion that a guarantee from the Central Bank was definitely preferable to a guarantee from the

Original filed Argentina Gen. Neg.

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Government. We did not really respond to this somewhat hypothetical question except to say that we would be very glad to study it very carefully when and if the occasion arose.

Throughout this discussion it was made abundantly clear that the real concern of the Argentines lay with the fact that in order to join the Bank they would also have to join the Fund. They complained about this requirement in the Bank's Charter and wondered whether this could not be amended. They seemed to accept Mr. Black's explanation that for practical purposes amendments of the Bank's Charter in any respect were virtually impossible. This led to some discussion about the Rules and Regulations of the Fund and the attitude which the Fund might take towards Argentina's exchange controls and multiple currency practices. Here the Argentines seem to be less well informed; they seemed to know to the letter the Fund's Articles of Agreement but seemed to be rather uninformed with the way in which the Fund's policies had evolved in practice. However, we did not think it desirable to pursue this sort of discussion too far, and Mr. Black contented himself with saying that they really ought to sit down with the Fund and review the problem together.

At the end of our discussions, Dr. Gómez Morales said that, whereas up to now they had regarded membership in the Bretton Woods institutions as a somewhat academic matter, they would now give renewed study to the whole question to see if something concrete could not be worked out.

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JBKnapp:ahb

cc: Messrs. Black, Garner, Iliff, Sommers, Rist, Mendels

Original filed Argentina

(Translated by E. Franco)

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Although the outcome of the visit by Mr. Eugene Black, President of the International Bank for Reconstruction and Development are not yet widely known, we are in a position to say that it will very likely result in benefits

for our country. Actually, the only obstacle for Argentina's membership in the International Bank for Reconstruction and Development is the much criticized provision of its Charter requiring, as a prior condition, membership in the International Monetary Fund. On many occasions steps have been initiated to eliminate this seemingly unjustified requirement but no success has been attained. The same applies to the Fund's Charter. Many of its member countries, including its own Directors, are of the opinion that an amendment of its Charter is necessary, but the practical and tactical obstacles of amending 56 laws arise, since any such change must be approved by each one of the member countries. Furthermore, when an amendment is proposed it will be quite difficult to agree on its scope. In the circumstances, by an elastic interpretation of its Charter, the Fund has come to agree in practice to virtual "amendments" of fact.

We are prompted to say, thank God, since we have insisted so many times on the basic faults of the provisions regulating the International Monetary Fund. This means that the actual facts have come to confirm the reasons why the Argentine Republic did not sign that international covenant. However, if in actual practice the Fund modifies its Charter by agreement between "the parties" there shall be no reason why the Argentine should not reconsider its position. Of course, we believe that, in view of its importance, a detailed study of the problem should be made. When Argentina's principal

(Translated by E. Franco)

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Mr. Eugene R. Black

April 14, 1954

J. Burke Knapp

Commentary by Argentine weekly on your visit to Buenos Aires

I believe you will be interested to see the attached commentary
by a leading Argentine weekly on the subject of your recent visit
to Buenos Aires.

~~JBKnapp:ehb~~
Attachment

Black's Tour

April 5, 1954

Files

J. Burke Knapp

Mr. Black's visit to Uruguay - March 17 - 20.

1. Mr. Black and his party arrived in Montevideo by air from Buenos Aires at noon on Wednesday, March 17th. We spent two days on official visits and then spent Saturday, March 20th, at the beach resort of Punta del Este. We departed for Rio de Janeiro at noon on March 21st. Social engagements during the visit included a lunch at the American Embassy, a lunch at the Central Bank and three evening receptions by Dr. Alberto Domínguez Campora, Dr. Nilo Berchesi, and Mr. Roberto Ferber (the latter two are Governor and Alternate Governor in the Bank respectively). In addition, Mr. Black was invited to deliver a talk about the Bank before the local Chamber of Commerce, which was attended by a large number of leading bankers and businessmen.

2. The official visits consisted of some initial courtesy calls, including a visit to the Minister of Foreign Affairs and then to the President of the National Executive Council with some of his associates. We then conducted business meetings with groups concerned with the three projects which are of interest to the Bank in Uruguay.

3. The meeting with the UTE officials produced a long and interesting discussion regarding the problems of financing the company's requirements. They stated that they would need an additional \$2 million to complete the present program being financed by the Bank's earlier \$33 million loan, and submitted a memorandum on this subject. They then stated that their new program had been trimmed down as far as possible with the result that its requirements would now amount to \$36.5 million (presumably not including the services of consultants which might add another \$500,000). The total involved was thus some \$39 million, as against the figure of \$30 million suggested by the Bank in our letter to the Minister of Finance dated December 4th. The UTE representatives strongly urged that the Bank reconsider this lending limit, but they were given no encouragement on this score during the meeting.

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4. The meeting then turned to a detailed review of the timing problems involved in working out a loan contract with UTE. The Bank had made clear in its letter of December 4th (and this seemed not to be questioned by the UTE representatives) that it could include only a small amount of dollars in a new UTE loan, and that its ability to finance the next stage of development was therefore dependent upon its ability to raise the necessary amounts of non-dollar currencies. The UTE representatives raised serious objections, however, to the Bank's proposal that, in order to identify what non-dollar currencies were needed, they should go ahead now and ask for bids on at least part of their equipment requirements. They took the position that unless we could give them some concrete assurance of eventual financing

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they would not be able to get serious bids. We questioned this and also pointed out that even if we signed a loan contract now, it would have to be conditional upon the Bank's eventually obtaining the needed non-dollar currencies. The UFE representatives then suggested that the best way to proceed would be for them to give us a list of the countries in which, according to their past experience, the best bids were likely to be obtainable and for us to approach the countries involved, in advance of the request for bids, to ascertain whether 18% currency could be made available for this purpose. We pointed out the serious disadvantages of this procedure from our point of view and urged that our position with the countries concerned would be very much stronger if we could go to them with a concrete case based upon the results of competitive bidding. We also pointed out that if a potential supplier had doubts whether the bidding was serious, he could (and probably would) go to his own government to press for an assurance that 18% currency would be released if his bid was successful. We emphasized that this form of pressure might be more effective than any which the Bank itself could bring to bear. Finally, we stated our willingness to write a letter directly to UFE indicating our interest in the financing of UFE projects, but always with a reservation regarding the availability of the necessary currencies. It was left for this subject to be pursued by Mr. Sandelin with the UFE management. (During the discussion some attention was given to the possibility of having the Central Bank underwrite the financing -- i.e., undertake to use its ample reserves to acquire any currencies which the Bank might eventually be unable to supply; Dr. Berchesi undertook to explore this possibility further with the Central Bank.)

5. We held a long meeting with the Board of Directors of the Uruguayan Railways (AFE) where we covered much of the same ground relating to the placing of bids and the determination of needed currencies. The railway people seemed to feel that the procedure we proposed was quite practicable and it was agreed that in further discussions with Sandelin the mechanics would be worked out. The Railways had already prepared some lists of the countries in which, on the basis of previous experience, they expected the best bids on various items of equipment, but they seemed to appreciate the great advantages of getting ahead as soon as possible with the actual request for bids. Mr. Black made clear to the railway representatives that the Bank was not satisfied with the proposals which had been made regarding rate increases and that the Bank expected some more impressive start to be made in the direction of restoring the financial solvency of the railroad before we could consider a loan. A discussion ensued, led by Mr. de Anda, in which emphasis was laid upon the factor of highway competition, upon the degree to which passenger traffic was the source of the deficit, and upon the need for re-equipment to reduce operating costs. In the end Mr. Black inquired whether it would be helpful for the Bank to provide the services of an expert who could give authoritative advice on the problems of rate revision. This offer was enthusiastically accepted and Mr. Black said that he would give the matter attention upon his return to Washington (it should be added that in these discussions and in the subsequent trip which we took on the railroad, we received a rather poor impression of the quality of the management and of the current operating conditions of the railroad).

6. Upon our arrival in Montevideo, we found from Messrs. Sandelin and Hancock that the work of the Organizing Committee on the Agricultural Program was badly stalled. Our representatives felt that this was probably due to a tug of war between Dr. Campal, Under Secretary of the Ministry of Agriculture, and the estancieros interests, for effective control over the Commission which would execute the program. One evidence of these internal conflicts was that the official program contained no provision for a meeting on this subject. However, Mr. Black took the initiative to assemble such a meeting in his hotel room, which was attended by the Minister of Agriculture, Dr. Campal, Dr. Ferber, representing Berchesi, who is a member of the Organizing Committee for the Agricultural Program, and a representative from the Ministry of Finance. At this meeting we expressed to the Uruguayan representatives our serious concern at the slow pace of the Organizing Committee's work, and urged that their recommendations be formulated soon while Messrs. Sandelin and Hancock were in Montevideo to offer their collaboration. In short, we indicated that our representatives would have to be withdrawn soon if no effective action could be taken. This seemed to provide the necessary stimulus. It was agreed that Sandelin and Hancock should proceed to Asunción the following week; that Hancock should return from Asunción after ten days there, by which time we were assured the Committee would be ready to "talk turkey"; and that Sandelin would also return to Montevideo after, say, a month in Paraguay to seek a final solution to the organizational problem. During this meeting, and on other less formal occasions, we took the position that the eventual Commission should be as free as possible from political influence, and before his departure from Montevideo Mr. Black received the personal assurance of the President of the Executive Council that a majority of the members of the Commission would be drawn from non-governmental circles. Mr. Black expressed the view to Mr. Sandelin that if this pattern was followed, he would not object to the President of the Commission being a government man in view of the obvious desirability of achieving close coordination between the Commission on the one side, and the Ministry of Agriculture, the Central Bank, and other cooperating government agencies on the other.

7. At a formal meeting which Mr. Black had with the Minister of Finance, and on other occasions, Mr. Black laid great emphasis upon the desirability of making more active efforts in Uruguay to develop a market for the bonds of the government and government agencies. Mr. Black emphasized the need for aggressive salesmanship and expressed the belief that a much wider distribution of securities and eventually a lowering of interest rates could be achieved in this manner. He suggested that the Bank might send an expert on this subject to consult with the Ministry of Finance and the other interested agencies, and this suggestion was warmly welcomed. No specific commitments were made as to this assignment but Mr. Black has in mind a visit to Uruguay by Mr. George Martin for this purpose.

8. Mr. Black made a special call on the American Ambassador, Mr. Dempster McIntosh, to acquaint him with the problem which we faced currency-wise, in our dealings with Uruguay, and to forearm him against complaints which he might receive from American trading interests regarding the Bank's policy. The Ambassador seemed to understand our position, although he also seemed to feel that we might be a little pessimistic regarding Uruguay's dollar creditworthiness.

JBKnapp:ehb

cc: Messrs. Black, Garner, Iliff, Aldewereld, Mcshaffey, Schmidt, Sandelin (Montevideo).

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Date: 08/09/2010, VA

Black's Law
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Files

March 31, 1954

J. Burke Knapp

Mr. Black's visit to Brazil, March 21 - 28.

1. The following notes are to record Mr. Black's visit to Brazil from March 21 to March 28, 1954. This was only a semi-official visit and the only official entertainment was a luncheon tendered by Minister Aranha on the second day of the visit. There were, however, a number of official calls and conversations, there was a lunch at the American Embassy, and Mr. Black held a luncheon meeting with the Executive Board of the American Chamber of Commerce in Rio at which he gave a detailed exposition of the Bank's policies and operating procedures. There was also an excursion organized by the Brazilian Traction Company to have lunch at their guest house at Lagos and to inspect the Forcacava Project on the way back to Rio.
2. The official visits included two very lengthy interviews with Minister Aranha, and calls upon President Souza Dantos of the Bank of Brazil, President Sarmanho of the Banco do Desenvolvimento, the Minister of Transport, the Director of the Central Railway, the President of the Companhia Sao Francisco, and the British and French Ambassadors. Valentin Boucas was in constant attendance and escorted Mr. Black and his group when they called upon President Vargas in Petropolis on March 25th.
3. During the course of our discussions, especially with Messrs. Aranha, Souza Dantos, and Sarmanho, we were given a good deal of data concerning the current economic and financial situation and prospects. With respect to the balance of payments and the exchange system, the Brazilian officials reflected moderate optimism based largely upon the continuing bullish trend in coffee prices but Minister Aranha repeatedly asserted his firm intention to maintain rigorous control over imports until Brazil had liquidated its large outstanding short-term indebtedness. He indicated that the present auction system in the exchange market might be continued for some little time, but also clearly stated that he expected it would become superseded in time by a unified exchange rate combined with very substantial increases in tariffs in order to control imports and protect domestic industries. He felt that the eventual stabilization of the cruzeiro might take place at a level at or below 30 to the dollar, since he felt that such a rate would be sufficient to give adequate stimulation to Brazilian exports. We received various estimates regarding the expected increase in coffee earnings and the Minister undertook to send us a detailed memorandum on the subject.

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4. We also received from Minister Aranha an exposition of the internal budgetary situation, along the lines of a public speech which he had made a couple of days before. He estimated that the over-all deficit of the Federal Government, including the deficits of various extra-budgetary accounts of the autarchias, would amount to some Cr. 16 billion this year in the absence of remedial measures. Although the Minister confessed to us that this figure was perhaps pitched a little high in order to impress public opinion, he was obviously greatly concerned about the situation and said that steps would be taken to reduce the deficit to no more than Cr. 7 billion. Most of this would be in the accounts of the autarchias, including notably the roads and shipping enterprises.

5. Turning now to more specific matters affecting relations between the Bank and Brazil, the following subjects were covered in our discussions with Minister Aranha and his associates:

(i) The Bank's future lending program in Brazil

From the outset of our discussions we made it clear that we were in no position to discuss specific future commitments since we were in the process of making a basic reappraisal of Brazil's economic and financial position. Minister Aranha appeared to be wholly sympathetic with this attitude. He said that he too was alarmed about the large number of obligations which Brazil had undertaken and that until the prospects could be seen more clearly he would not want to undertake any additional foreign obligations. (Indeed we later learned on good authority that the Minister had told close associates that he was taking the initiative in resisting further loans from the Bank and that Mr. Black was pressing him to accept new commitments.) At one point Minister Aranha even expressed his surprise that the Bank had gone as far as it had in lending to Brazil and said that if he had been in our shoes Brazil would not have been treated so liberally during the past year or so. In the end it was definitely agreed between the Minister and Mr. Black that there would be no further discussion of loans to Brazil until some additional time had passed to observe the course of events and until the Bank and the Brazilian Government had sat down together for a full reconsideration of Brazil's economic prospects. As one of the first steps in this direction Mr. Black agreed to send Minister Aranha a copy of the Bank's new economic report on Brazil as soon as this had been prepared.

(ii) Status of applications before the Bank.

In the light of the foregoing we pointed out to the Minister that the Bank was in a somewhat embarrassing position in having before it loan applications totalling over \$150 million which, in the eyes of

the world and even in the eyes of the various entities which had presented the projects, were being held up solely on the responsibility of the Bank. We suggested that the Minister authorize us to inform any applicants who pressed us for action on these loans that the whole matter of loans to Brazil was under discussion with the Minister, and that no action could be taken until a basic decision had been made with respect to the volume of future Bank loans to Brazil and with respect to the priorities among the various pending applications. The Minister entirely agreed with this proposal and said that he would take the same attitude on any inquiries that came to him. In fact he seemed genuinely surprised to learn that this amount of loan applications was on file with the Bank and seemed unfamiliar with the procedures for processing Joint Commission projects which had led to this result. With regard to investment priorities he strongly maintained that it was premature to do anything about the railway loans until there had been some fundamental management reforms (see below), and the only project in which he expressed special interest was the Sete Quedas hydroelectric development on the upper Parana River (this is a very large-scale project which may eventually be developed by Brazilian Traction for serving the Sao Paulo area and which might also involve the supplying of power to Paraguay and adjacent areas in Argentina). Incidentally, Valentin Boucas undertook to follow up with Ary Torres and Merwin Bohan to assure that the final report of the Joint Commission, which is due to be published shortly, would take a line consistent with the above understanding - I shall also speak to Merwin Bohan about this myself.

(iii) Railroad reorganization.

We found upon our arrival that a real attempt was being made to revive the bill presented to the Congress by President Vargas two years ago and directed toward a thoroughgoing reorganization of the Federal Government railways. A special committee of leading railroad people has been set up under the Ministry of Transport to study this problem and they have been trying to work out a compromise solution with the head of the opposition party in the Congress, Dr. Brochado da Rocha, who has been instrumental in holding up the legislation on this subject. We were presented with the text of a revised proposal and we undertook to send any comments on this as soon as possible after our return to Washington. Apparently one of the major stumbling blocks has been the provision in the earlier proposal calling for the establishment of "mixed" public-private companies to administer the individual federal railway properties. This seems to have encountered insuperable difficulties arising from the fact that all railroad workers now have civil service status and could choose to remain on the public payroll, even without working, if the railroads were transferred to this non-governmental status. The new proposal therefore contemplates leaving the railroads as "autarchias" while making the same provisions as were contained in the earlier proposal for establishing central coordination of their activities and non-political administration of their operations. We found both the Minister of

Finance and the Minister of Transport strongly committed to the principles of railway reform and the committee working on the subject under the Ministry of Transport includes such respected personalities as Dr. Cintra, President of the Paulista Railroad; Dr. Renato Feio, President of the Santos-Jundiai Railroad; and Dr. Othon da Lima, Director of Railway Operations in the Ministry of Transport. Most of these people seemed quite optimistic that favorable action by the Congress could be achieved within the next few months, although it should be recorded that Minister Aranha seemed very pessimistic on this score in view of the fact that "this is an election year". It should be mentioned that, during the meeting with the Minister of Transport, Mr. Black took the occasion to say that if a railroad reorganization bill went through establishing a central management agency for the Federal Railways, the Bank would be glad to cooperate in helping this agency get started. This was the closest that we came to any specific discussion with the Brazilians of technical assistance in the reform of railway management and operating procedures. I found an opportunity, however, to review the past history of this matter with the new Point IV director in Brazil, Mr. Hartzall, who said that his mission might also be interested in technical assistance to the railways.

(iv) Refunding of internal debt.

President Vargas has introduced a bill into Congress which would refund into a single consolidated issue all existing Federal Government securities, and all securities of state and municipal authorities who would agree to accept a Federal Government veto over their financial operations during the next ten years. The feature of the refunding issue is that it would offer to holders the option to take payment of interest and amortization in dollars in New York, or in the equivalent amount of cruzeiros reckoned at the existing free market exchange rate.

This subject occupied an important portion of our time with Minister Aranha and President Souza Dantas of the Bank of Brazil. Leaving aside the special question of its possible effect upon our negative pledge covenants (see next paragraph), Mr. Black expressed very great interest in the proposed measure in view of the critical importance of establishing a capital market and a sound mechanism for government financing in Brazil. While fully endorsing the objectives of the proposal, and while expressing great sympathy with the need for establishing some form of discipline over state and municipal financial operations, Mr. Black expressed very serious doubts as to whether it would be wise to resort to the unprecedented procedure of servicing an internal loan in foreign exchange, and also raised the question of whether it was necessary to offer a dollar exchange guarantee to make the issue acceptable. The Brazilians took the general line that people had so far lost faith in the cruzeiro that no obligation stated solely in that currency stood a chance of success. Minister Aranha was

inclined to defend the idea of paying dollars directly although despite our best efforts he seemed unable to get the distinction between this and the use of the dollar exchange rate as a yardstick for the payment of cruzeiros. Souza Dantos of the Bank of Brazil seemed somewhat more impressed by Mr. Black's representations on the matter of direct dollar servicing. In any case Mr. Black suggested that the Bank find some outstanding expert to come to Brazil and make a thorough study of this problem with the view to advising the Brazilian authorities. This suggestion was warmly received by both Messrs. Aranha and Souza Dantos, and Mr. Black undertook to give his personal attention to this matter.

(v) Negative pledge covenants.

The bill which was submitted to the Congress last December for the refunding of the internal debt (see previous paragraph) contained a provision creating a 3% surcharge on consular invoices covering exports to Brazil which was to be collected in foreign exchange and to be devoted to the servicing of the refunding issue. In the course of our first meeting with Minister Aranha, Mr. Black pointed out that the Bank had been somewhat concerned about this provision lest it establish some kind of a pledge in favor of the bondholders and thus involve the negative pledge covenants in Brazil's loan and guarantee agreements with the Bank. Although Mr. Black raised this subject very tentatively and casually, Minister Aranha reacted violently. He stated in very strong terms that if the Bank thought it could interfere in the administration of Brazil's "purely internal" financial administration, he would rather wash his hands entirely of any relations with the Bank. He went on at length about Brazil's inviolable national sovereignty and cried out that we were trying to "cut out his liver". He gradually calmed down as we pointed out that we were only trying to get some information in order to consider what needed to be done. In fact it soon developed that the 3% charge has already been incorporated in the national budget for this year and would flow into the general revenues. Hence the paragraph relating to this matter has been stricken from the bill covering the refunding of the internal debt and it seems clear that, whatever may have been the situation previously, the passage of this bill will not create any special pledge or collateral in favor of the bondholders. Nonetheless, during our subsequent stay in Rio, we heard several repercussions of this exchange with Aranha, indicating that even after all of our explanations and expressions of satisfaction, the Minister still felt that we had tried to press a completely unacceptable demand upon him. (We learned, for example, that Aranha had given the President a highly colored account of this matter, although the President did not raise the matter with us during our visit with him.) In any case our discussion of this point led to one concrete conclusion, namely that it would be desirable to send Lars Bengtson down to Rio on some early occasion to sit down with Minister Aranha and his advisers to undertake a thorough review of the Bank's loan and guarantee agreements. Minister Aranha said that he

lacked a proper comprehension not only of the negative pledge clauses but also of some of the other clauses in agreements such as those with Brazilian Traction, and would greatly appreciate an opportunity to "get educated" in these matters.

(vi) Metropolitan Vickers contract.

Toward the end of our first meeting with Minister Aranha on March 24th the Minister mentioned the fact that he was holding up the final approval of the above contract for the supply of suburban cars to the Central Railway because of British "obstinance" in undertaking to expand their purchases in Brazil. Mr. Black expressed concern that this contract, which had been presented to the Bank as a matter of great urgency, was being used as a bargaining weapon in this manner, and then became even more disturbed when Minister Aranha said that, if the British did not act more reasonably, he might cancel the Metropolitan Vickers order and place it in the United States. Mr. Black said that such action would be entirely inconsistent with the Bank's principles of international competitive bidding and that the Minister should realize that, if the order were switched to the United States, Brazil could no longer count on financing it with a Bank loan. Upon hearing this the Minister subsided noticeably and after some further discussion he threw up his hands and said he understood our position and would go ahead and approve the contract that very day. The contract was so approved, with considerable attendant newspaper publicity. We never discussed the matter with the Minister again but two or three days later some very curious reports reached us through the British Ambassador and others. These were to the effect that Aranha was telling his associates that Mr. Black had tried to pressure him into shifting the suburban car order to United States suppliers and that he (Aranha) had forthwith confirmed the order to Metropolitan Vickers in order to demonstrate his independence of such pressure! We put the matter straight with the British Ambassador, who had hardly been prepared to believe these reports, but it seemed useless to try to go back to Aranha on it.

(vii) Arbitration of European claims.

Upon our arrival in Rio, Valentin Boucas showed us a letter dated March 9th which he had addressed to the French Embassy containing a draft agreement between the Brazilian and French governments, covering, among other things, the arbitration of the claims upon the Sao Paulo-Rio Grande Railroad and the Port of Para. (With respect to the third major case -- the Banco Hipotecario de Minas Gerais -- the letter said that further postponement would be necessary because the subject was sub judice in the Brazilian Courts.) Boucas said that this draft agreement had been cleared with President Vargas and will be formally approved by him as soon as it has been accepted by the French. The arbitration procedure set

forth in this draft agreement (copy of which has been sent to the Office of General Counsel) provides that if no agreement can be reached between the two arbitrators appointed by the respective parties, the President of the International Bank will appoint a third arbitrator to see that a decision is reached. Minister Aranha expressed his full support for this solution to the European claims problem and the French Ambassador told Mr. Black that he himself was anxious to reach agreement on this basis. The latter told us, however, that Paris still felt it might be more appropriate to have the arbitration take place between the Brazilian Government and the interested companies rather than with the French Government. Boucas pointed out that this might well involve delays through suits by minority bondholders (this is now the hitch in the arbitration proceeding relating to the Vitoria & Minas Railway), and the British Ambassador told us that, so far as British interests in the companies were concerned, his Government would be happy to let them be represented by the French Government. Mr. Black stated to all parties his readiness to perform the role proposed for him, subject to certain minor changes in the procedure which were agreeable to the Brazilians and to the French Embassy.

(viii) Medium-term European credits to Brazil

At one point in our discussions with Minister Aranha, Mr. Black alluded briefly to the fact that there appeared to be a rising volume of medium-term European credits to Brazil, and asked what the Minister's view was on this matter. The Minister said that he was well aware of this problem and was keeping the volume of these credits under close review in order to avoid any over-extension. The matter is mentioned here mainly because we later heard reports, purportedly originating with Aranha, that Mr. Black had expressed opposition to "European investment in Brazil."

(ix) Bank's Resident Representative in Brazil

Mr. Black mentioned to Minister Aranha the Bank's intention to establish a Resident Representative in Rio in the near future and explained the routine difficulties which had held up this appointment. The Minister seemed to welcome this statement quite warmly and promised his full cooperation to the Bank's representative.

6. Finally, it may be desirable to record here some impressions of the play of personalities on the Brazilian scene, although these must be very tentative in view of the highly complex and unstable situation. In the financial and economic field Minister Aranha is without doubt the dominant personality. He seems to have a fairly clear mandate from President Vargas, who is much too weak and preoccupied with other matters

to assert any leadership in this field. Aranha is understood to have the backing of the Army for his policy, and his recent triumph in a clash with the former Minister of Labor, Jango Goulart, seems to have left him more firmly in the saddle.

Aranha's principal rival appears to be Maciel Filho, but the latter's association with Goulart seems to have done him no good and we heard persistent rumors that Maciel was "on his way out." Maciel was conspicuously absent from the luncheon tendered to Mr. Black by Minister Aranha, and we were specifically told that he had been quietly deprived of his position as General Manager of the Banco de Desenvolvimento (this would still leave him in the important position of Superintendent of Money and Credit). Aranha clearly relies heavily upon Sousa Dantas, President of the Bank of Brazil, who is, therefore, an important and influential figure, and a man who seems to have considerable ability. Aranha seemed to have nothing but contempt for Walder Sarmento, President of the Development Bank, and we received the impression in several ways that that institution is badly organized and almost powerless. One straw in the wind is that Minister Aranha has recently established a "Conselho Tecnico" in the Ministry of Finance, with functions partly duplicating those of the Banco de Desenvolvimento. This Conselho (President -- Aranha, Vice President -- Eugenio Guin, and Executive Director -- Valentina Boucas) is the "brain trust" of the Ministry, designed to execute studies and advise the Minister in all fields of economic and financial policy.

7. The foregoing memorandum is being supplemented by a number of separate memoranda on particular minor matters.

cc: Messrs. Black, Garner, Iliff, Aldewald, Somers, Rist, Demuth,
Schmidt, Quandt/Lussatto

JHK:mo

Date: 02/09/2010, VA

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PRELIMINARY MEMORANDUM ON
PRESENT ECONOMIC POSITION OF BRAZIL

1953 Trade and Exchange Results

1. Brazil's short-term balance of payments position improved over the past year. On preliminary figures, total exports in 1953 were \$1,608 million equivalent, 14% more than in 1952, while imports were \$1,313 million equivalent, 35% less than in 1952. The level of total imports was thus at last brought under control. The largest fall was in imports from the United States; trade with the U. S. showed a favorable balance of \$476 million compared with a deficit of \$110 million in 1952. The problem of commercial arrears was resolved partly by repayment, but principally by refunding loans (U.S.) or negotiated agreements (U.K. and Germany). By year end net holdings of convertible currencies were \$24.6 million, with negative holdings of other currencies, so that total net holdings were positive at \$1.2 million equivalent, in contrast with a total negative holding of -\$46.0 million equivalent at the end of 1952.

2. The increase in export values resulted partly from an increase of world prices for important export commodities. Coffee increased from 53.8 cents per pound, F.O.B. New York in December 1952, to 61.3 cents per pound in December 1953, and cacao from 30.8 cents per pound to 46.9 cents per pound. The volume of coffee exported changed little, but almost all other agricultural commodities increased, encouraged first by the "Lafer" system of permitting part of export proceeds to be sold on the free market, and later by the "Aranha" system of fixed exchange bonuses.

3. From January through October the reduction of imports was achieved by quantitative import licensing under the administration of CEXIM, whose methods were provoking increasing public antagonism. In October 1953, the "Aranha" system of auctioning exchange, discussed more fully in paragraphs 11 and 12 below, was introduced. Petroleum imports were restrained, increasing in value only 4.3% in 1953, compared with 14.7% in 1952. Oil stocks were reportedly not run down, implying that consumption increase correspondingly slackened. Informed opinion in Rio attributed this important result, achieved despite severe water shortages for hydroelectric generation, to slackening of industrial activity so small that no important unemployment resulted.

4. The current exchange position in convertible currencies was eased by increased imports from Europe, in many cases financed by credits under trade and payments agreements, and by wheat imports from the Argentine financed by existing Brazilian balances in the Argentine payments agreement.

Immediate Prospects

5. Brazil's balance of payments outlook, however, is still highly precarious, both in the short and in the longer run.

6. The improvement in 1953 was greatly assisted by the draw-down of stocks of export commodities (coffee, cotton, wool, and the former "gravosas") and of imported commodities, except oil for which stocks were reportedly normal at year end. Important stocks of export commodities no longer exist, and pressures to replenish import stocks may well increase. Since 1946 exports exceeded imports only in 1948 and 1950; both years saw heavy draw-down of stocks. In years of heavy balance of payments deficit (1949, 1951 and 1952), stocks increased. It would be disappointing if this alternating pattern were continued.

7. The recent rise in raw coffee prices from around 61 cents, New York, to around 82 cents (35% increase), which began early in 1954, will return a less than proportionate increase of exchange earnings to Brazil. The benefit of the higher price is partly offset by lower export volumes, and a full year's shipment of the smaller volume expected for the production year 1954/55 at 82 cents would yield \$225-250 million equivalent (\$150 to \$170 in dollars) more than larger shipments at a price of 61.5 cents. The higher coffee export price is, however, expected to endure, or even increase, for at least two to three years and probably longer since known coffee stocks in Brazil are now extremely low and her annual exports can no longer consistently exceed annual production.

External Debt

8. At the same time Brazil's repayment commitments have been rising. The Government incurred new external debt obligations during 1953 for two purposes, firstly, to refund previous private credits outstanding as commercial backlog (\$300 million from Eximbank, and negotiated repayment of \$117.6 million on the sterling backlog) and for new loans totaling \$39.8 million (\$7 million Eximbank, \$32.8 million IBRD, not including IBRD's loan of \$18.8 million made in 1954). There was also a Fund drawing of \$28 million equivalent in sterling during 1953. In addition we now have information on the registration of commercial suppliers' credits for exchange priority, previously not available to us. This discloses that during 1953 agencies of the Federal Government and political subdivisions borrowed \$34.2 million equivalent in this manner (\$16.3 million in dollars), and in early 1954, \$6.3 million equivalent (\$1 million in dollars). Credits to private purchasers (also registered for exchange priority) totaled \$47.4 million equivalent (\$37.4 million in dollars) at end January 1954. There is thus an additional total of \$88 million equivalent (U.S. \$54.7 million in dollars) of debt entitled to exchange priority which was not previously known in detail to the Bank. Maturities on these suppliers' credits are in some cases long, but the bulk are from 5 to 7 years.

9. Taking into account all commitments (excluding Fund) now known, which involve official borrowings or guarantees, or registered priority for exchange availability, forecast future service increases substantially from the Bank's last estimate.

Estimated Average Annual External Debt Service
(millions of US \$ equivalent)

Period	Estimates for debt as of					
	January 1954			December 1952		
	Official	Private	Total	Official	Private	Total
1954-56	184.4	15.9	200.3	140.2	9.8	150.0
1957-59	80.2	9.6	89.7	43.2	8.4	51.6
1960-64	38.3	13.2	51.5	24.3	11.1	35.4
1965-69	19.3	29.7	49.0	15.0	27.4	42.4
1970-74	13.7	3.0	16.7	11.5	2.4	13.9

10. During 1953, actual disbursements on official external debt (excluding refunding operations) were \$18.5 million, and on non-guaranteed debt \$29.3 million (total \$47.8 million, all in U.S. dollars), while repayments were \$28.1 million on official debts and \$7.5 on non-guaranteed debt (total \$35.1, \$21.3 million in dollars, \$13.8 million equivalent in sterling). Similar data are not available for 1953 receipts and payments on suppliers' credits.

The Exchange System

11. Continued import restraint is essential if exchange is to be available to cover commitments over the next few years. Import restraint now relies upon a new exchange system introduced by the Brazilian authorities in October 1953. Under this system, exchange receipts are estimated and their expenditure budgeted. That part of the exchange which is made available for private commodity imports (55-60% of the total) is auctioned to importers with minimum selling rates for each of five categories of imports. Successful bidders are given an exchange certificate, upon production of which they freely obtain an import license. The system, although very complicated, has been working almost surprisingly well. It is the only major economic policy step recently adopted, representing an experimental and progressive devaluation of the cruzeiro. As such it has greatly eased the balance of payments strains induced by past inflation. It has, however, even as a temporary measure, some drawbacks and dangers. The system is anything but orderly; the same currency is transacted at different rates in different parts of Brazil, and cross-rates between currencies vary widely from their parities. It is probably to be regarded as a transition measure pending adoption of a more orderly multiple-rate system.

12. A danger in the present system is that exchange certificates for forward sales may be over-issued, although the present rate of issue of such certificates is believed to be conservatively within probable receipts. The authorities could over-issue dollar exchange certificates just as they formerly over-issued import licenses, since they are selling dollar certificates against exchange they do not now possess. (All other currencies are being sold "prompt") The result depends entirely upon the accuracy with which exchange receipts are forecast and exchange budgets are adhered to; in other words, upon judgment and upon administrative efficiency. The new situation is better than the old in that exchange forecasting, budgeting, and actual rationing are centralized. If exchange certificates are over-issued, a new payments backlog would re-emerge, this time upon contractual obligations of the Bank of Brazil.

Inflationary dangers

13. In the longer-run the balance of payments position is likely to be increasingly dominated by the accelerated domestic inflation which is now occurring. The last economic report on Brazil emphasized the deteriorated short-term balance of payments position, which then contrasted with an improved fiscal position; the Federal Government showed actual surpluses in 1951 and 1952. The position reversed in 1953. The short-term balance of payments position improved, while the fiscal position deteriorated markedly. In 1953, the Federal budget turned in a deficit of around 5 billion cruzeiros (12% of expenditures). Simultaneously, finances of the State of Sao Paulo deteriorated to the point of breakdown, the state being unable for a time to meet its commitments on "rotativo" bonds. In 1953, the 19% increase of money supply was more than in any year since 1946, except for 1950.

14. Renewal of substantial inflation could obliterate the benefits derived from the recent changes in the exchange system. The present system has rates administratively pegged at fixed levels for all exports and for some important imports such as petroleum and wheat. Unless rates are adjusted as inflation raises domestic costs, export incentives will again diminish. If the auctioning of import exchange is replaced by a multiple fixed-rate system, the new fixed rates, however realistic at the time of their adoption, would soon become obsolete if inflation continues, leading finally to a repetition of the position which obtained in 1951, 1952 and the early part of 1953, when inflation plus a rigid exchange rate led to an overvaluation of the cruzeiro which discouraged all exports except coffee and greatly favored imports.

Possible Policies to Avoid Accelerated Inflation

15. Renewed inflation is not inevitable; interlocking policies by the Federal Finance Ministry and the monetary authorities could avoid it. The evident immediate danger is heavy budgetary deficit. The Federal budget for 1954 is nominally balanced, but with estimated revenues almost certainly too high, perhaps by 5 to 7 billion cruzeiros. Sao Paulo and the Federal District have each budgeted 2 billion cruzeiro deficits in 1954, even with overly-optimistic revenue estimates.

16. These deficits could be either avoided or offset. At the Federal level, the exchange auctions are yielding non-budgetary revenues now running at about 10 billion cruzeiros annually (after payment of export premiums). The law directs that these revenues be applied first to recouping past losses of the Bank of Brazil on official price support of agricultural crops (principally cotton) and next to expenditures for the development of agriculture. If no such expenditures were made, the probable Federal budget deficit, plus part of States' deficits, would be offset. Alternatively, Federal budget expenditures could be kept in line with receipts by transferring disbursements "for the development of agriculture" from the budget to the exchange profit account. Total Federal finance would then be non-inflationary, provided net credits granted by the banking system do not expend to cover the higher cruzeiro costs of imports. The States cannot run significant deficits if they are denied access to bank credits; here again monetary policies could be crucial.

17. If inflation were restrained, some strong forces creating balance of payments pressures would lack fuel, and the recent effective devaluation of the cruzeiro would offer prospect of a manageable balance of payments position in the future.

18. Even if inflation is not restrained, acute balance of payments consequences would be avoided if exchange rates followed closely the internal depreciation of the cruzeiro. This would be achieved if the auction system for private imports were retained, and the administratively fixed cruzeiro bonuses on exports and exchange surcharges on imports of petroleum, wheat, and for Government purchases were frequently adjusted.

Key Economic Policies

19. Any estimate of the economic prospects for Brazil thus requires judgments regarding probable action in the following critical fields:

- (a) by the Federal Finance Ministry and the Bank of Brazil:
handling of the "agio" exchange profits in relation to the prospective Federal budget deficit;
- (b) by the Superintendency of Money and Credit and the Bank of Brazil Rediscount Department:
 - i) to prevent exchange surcharges being financed by new net expansion of commercial bank credit;
 - ii) to check State Government deficit finance by monetary policy restraining rediscounts that support credit expansion for that purpose;
- (c) by the Federal Finance Ministry and the Superintendency of Money and Credit: exchange policies, particularly as regards realistic exchange budgeting, maintenance of appropriate exchange rates, and the rebuilding of working exchange reserves.

One pattern of policies and actions in these fields would support favorable reporting upon the future balance of payments outlook; another (resulting in severe domestic inflation with rigid exchange rates) would induce pessimism.

The present opportunity for Brazil

20. The recent coffee price rise may be no more than a windfall for Brazil, even if a substantial one lasting as long as 5 or even 7 years. Re-appraisal is necessary of the probable increase in plantings in Brazil and the world in relation to longer-term increase of demand. If output growth outruns consumption increase, coffee prices will ultimately fall. If Brazil is at that time still living at the limit or a little beyond her resources, her crisis will be extremely severe. The coffee windfall, however, now offers excellent opportunities for Brazil. Exchange revenues are increased around \$250 million equivalent annually, and the exchange system alone raises domestic official revenues around 10 billion cruzeiros annually. If neither are wholly dissipated in prompt "boom-and-bust" expansion to the new income levels, Brazil could, by devoting as much as possible of the increase of exchange and Government revenues to non-consumption purposes,

- i) quickly retire short-term indebtedness resulting from past commercial backlogs (in particular, she should be able to maintain scheduled repayment upon the Eximbank \$300 million loan);
- ii) restore exchange reserves;
- iii) finance much useful developmental investment.

By the end of five years, say, when coffee prices may decline, Brazil could have improved transport, better crop storage, more power, better physical facilities and financial incentives for non-coffee exports, and a cushion of working exchange reserves. But she will not have these things if she cannot refrain from quickly "building-in" 80 or 90 cents a pound for coffee into her permanent income and consumption expectations.

Increase of External Debt

21. Even if judgment of all the main elements underlying the general balance of payments outlook were favorable, the Bank would need time to consider whether recent borrowings and newly disclosed debts carrying exchange priorities do not indicate a need to reconsider Brazilian borrowing policies. The re-estimates of future debt service (paragraph 9 above) are substantially higher than previous forecasts for the whole period until 1964. New commitments involving significant service payments before 1960 would probably require careful justification, particularly if not undertaken simultaneously with financial and development policies designed to mitigate avoidable balance of payments pressures.

22. Finally, there is at present a proposal to consolidate domestic Government debt, paying service in dollars. (Discussed in a separate memorandum.) In its present form, this proposal raises serious questions for the Bank.

Harold Larsen
Reynold E. Carlson
Department of Operations - Western Hemisphere

March 5, 1954

Black Zone

OFFICE MEMORANDUM

TO: Messrs. ~~Carter~~, Iliff, Cross, Demuth,
Mason, Gordon

FROM: Orvis A. Schmidt

SUBJECT: Mr. Black's visit to Ecuador - March 10 - 13, 1954

DATE: March 23, 1954

See 3/15

Attached is a copy of a memorandum just received from Mr. Knapp
on Mr. Black's visit to Ecuador.

*Copy on Ecuador
Case No.*

C
O
P
Y

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

March 15, 1954

TO: Files

FROM: J. Burke Knapp

SUBJECT: Mr. Black's visit to Ecuador - March 10 - 13, 1954.

Mr. Black and his party (Mrs. Black, Mr. Machado, Mr. López-Herrarte, Miss Ladue and myself) arrived in Quito by air at noon on March 10th. We had lunch with Mr. Eduardo Salazar. We had lunch the following day with the Mayor of Quito and there were evening receptions on the 10th and 11th by the Acting Minister of Economy and the Acting Manager of the Central Bank. The main usefulness of these social functions was to meet some of the businessmen and bankers outside government circles.

At 4:00 p.m. on March 10th we were received by the President who was accompanied by numerous ministers and senior officials. This meeting consisted largely of an exchange of courtesies and a program was set up for the following morning to meet the different interested elements of the government.

We met all morning on Thursday, March 11th, with a succession of ministers and other government officials who presented the various matters in which they were interested. Throughout this meeting Mr. Black emphasized that we could not give any active consideration to further projects in Ecuador (aside from the Quito hydroelectric project) until the Planning Council had been set up and had made some decisions regarding investment priorities. Mr. Black took the occasion to emphasize the need for a careful preparation of projects from the economic, technical and financial points of view.

During the course of this meeting the following subjects were discussed:

1.- The Minister of Public Works described the progress of the national highway program and presented a paper outlining a project for paving the Ecuadorian section of the Pan American Highway.

2.- The Manager of the railways described a \$5 - 6 million investment program and presented papers in connection therewith (this differs from the earlier program presented to the Bank mission last fall in that it includes some diesel locomotives and it excludes expenditure on new rails - the latter purpose has been served by a \$2.8 million, 5-year, 5% credit obtained from European sources with a government guarantee). The Manager's presentation of this subject led Mr. Black to comment on the importance of administrative re-organization of the railway, and to suggest that the Bank and the Ecuadorian railways jointly employ an outstanding expert to survey this field (see my letter of March 13th

to Mr. Schmidt, with the enclosed draft letter in which the Ecuadorian railways would request the Bank to provide such an expert).

3.- A brief presentation was made on irrigation problems and a paper was left with us, but the Minister of Public Works seemed to support this project only very halfheartedly.

4.- The session then turned to the electrification program and we restated the contents of my letter of December 31st to Minister Nebot. The Acting Minister of Economy said that Mr. Nebot would be giving further consideration to this matter upon his return from Caracas, and that we would hear from them again before any action was taken.

The discussion then turned to two specific electricity projects, for Quito and Cuenca respectively. The Mayor of Quito, who attended this part of the meeting, was discouraged at the prospect of divesting the electric power properties from the Municipality. We pointed out, however, that we were not asking that the Municipality give up its property rights in these installations, but merely that they set them up with adequately autonomous administration. The Mayor seemed finally to accept this proposition and said that they would be in further touch with us before long regarding the means for accomplishing this purpose.

An impassioned plea on behalf of the Municipal Power System of Cuenca was made by the Vice President of the Senate, Mr. Arizaga Toral. Cuenca is engaged in a program for expanding its generating and transmission facilities; this is nearly complete and has all been financed. The municipally owned company which operates the properties does not have sufficient funds, however, to install the next additional distribution facilities. Mr. Arizaga Toral presented a loan request for a million dollars of which \$375,000 would be for these distribution facilities and the balance for further overall expansion of the system. For reasons which will be obvious, we strongly discouraged him from believing that we could handle the "tag end" distribution problem, but we said that we would give the balance of the application consideration when its priority had been established by the Planning Council.

5.- Next the Banco de Fomento, represented by its Vice President Sr. Cesar Chiriboga Villagomez, the General Manager Dr. Luis Ayora, and various directors including Mr. Arizaga Toral, presented a number of tentative suggestions regarding Bank financing with the view to ascertaining in principle whether they would be bankable. They first spoke of the need for the distribution of agricultural equipment on credit terms and we said that in principle this might be considered. They then presented a number of industrial projects, some private and some mixed public and private, and asked whether we would consider financing the foreign exchange requirements. These projects included textile plants, a malt factory, a paper plant, a banana processing plant, fisheries, a caustic soda and chlorine enterprise, and a cement factory. We expressed very serious doubts as to whether the Bank could get into this field of operation in Ecuador and referred to the possibility of participation in such projects by the International Finance Corporation, if and when such an agency were to be established.

A paper on the foregoing was presented.

*Arizaga's
being
made.*

6.- Finally the Minister of Finance, who is responsible for customs administration, raised the question of providing additional equipment for Guayaquil and other Ecuadorian ports. (The Minister said in passing that he recognized the desirability of postponing the construction of a new port in Guayaquil.) This led to a discussion of the need for a more businesslike administration in the Ecuadorian ports and we urged that this be separated from the customs service. We promised to send the Minister some material regarding the port of Callao, and I wrote to Mr. Schmidt on March 12th requesting that he do this. The Minister said that he would study this material and prepare a project for port investment which he would clear through the Planning Council.

*done by
Mr. Makon*

On the morning of March 12th Mr. Black and I called upon the Vice President to discuss the question of organizing and staffing the Planning Council. The substance of this meeting has been reported in my letter to Mr. Schmidt dated March 13th.

*Mr. Gordon
going
Wednesday
Mar. 24.*

Proceeding to Guayaquil at noon on March 12th, we met in the afternoon with a group representing the leading financial and business interests in the city. This was largely a courtesy visit although we were presented, on behalf of the Chamber of Commerce, with a memorandum relating to the development needs of the area. There was a reception that evening tendered by the local Manager of the Central Bank.

The following day was spent with representatives of the Comité de Vialidad. We made a tour of some of the highways near the city which are to be included in the Bank financed project and we met with the principal directors of the Comité in a brief formal session later in the morning. We were handed a copy of the request for bids which the Comité plans to ask shortly; having read this document and having had no comments to make, I forwarded it to Mr. Schmidt from Lima on the evening of March 13th, requesting him to give the Comité any comments before the request for bids was published on March 19th.

The party departed for Lima at 2:30 p.m.

cc: Mr. David Gordon
Quito, Ecuador

Jones - 117 - Black



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

~~Mr. [unclear]~~
~~Mr. [unclear]~~
~~Mr. [unclear]~~

ADDRESS OFFICIAL COMMUNICATIONS TO

American Embassy,
Ankara, May 5, 1953.

Dear Gene:

I was glad to have your letter of April 17. Cele and I greatly enjoyed seeing you and Mrs. Black during your stay in Ankara and only regret that because of your international status you were not able to stay with us and we didn't get to see more of you.

You can be sure, Gene, that the things I said to you with regard to the operations of the Bank in Turkey in no way reflect any criticism of you personally or of the Bank. It is a natural thing, deriving from our separate responsibilities, that we should see the problem of investment in Turkey in somewhat different lights. I fully respect your point of view and am sure you are faithfully carrying out the original objectives of the Bank. I recognize the great contribution which the Bank is making to economic development, not only in Turkey but throughout the world. I only want you to make the maximum possible investment here, where it is badly needed and where it can, in my judgment, be well used.

As you may know, my tenure in Turkey will shortly be over. I look forward to seeing you when I return to Washington in June.

All best personal regards,

Sincerely,

G. C. McGhee

George C. McGhee

Mr. Eugene R. Black, President,
International Bank for Reconstruction
and Development,
Washington 6, D. C.

files
5/28/53

RECEIVED
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C.

MAY 15 2 39 PM '53

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA



ADDRESS OFFICIAL CORRESPONDENCE TO

American Embassy,
Ankara, May 2, 1953

Handwritten notes and signatures, including 'Mr. Black' and 'Mr. [unclear]'.

Dear Gene:

I am glad to have your letter of April 11. Gene and I greatly enjoyed seeing you and Mrs. Black during your stay in Ankara and only regret that because of your international status you were not able to stay with us and we didn't get to see more of you.

You can be sure, Gene, that the things I said to you with regard to the operations of the Bank in Turkey in no way reflect any criticism of you personally or of the Bank. It is a natural thing, deriving from our separate responsibilities, that we should see the problem of investment in Turkey in somewhat different lights. I fully respect your point of view and am sure you are faithfully carrying out the original objectives of the Bank. I recognize the great contribution which the Bank is making to economic development not only in Turkey but throughout the world. I only want you to make the maximum possible investment here, where it is badly needed and where it can, in my judgment, be well used.

As you may know, my tenure in Turkey will shortly be over. I look forward to seeing you when I return to Washington in June.

All best personal regards,

Sincerely,

George C. Nichols

Mr. Eugene H. Black, President,
International Bank for Reconstruction
and Development,
Washington 25, D. C.

MAY 12 3 39 PM 1953

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Handwritten notes and signatures at the bottom left, including 'Gene' and 'Black'.

Letter No. 13

March 16, 1954

Mr. J. Burke Knapp
Copocabana Palace Hotel
Rio de Janeiro, Brazil

Dear Mr. Knapp:

When I sent you the batch of statistical tables yesterday, the external debt schedule was not ready. I enclose a brief debt analysis by Mr. Lynch; you will notice on page 6, the debt schedule is set forth.

Sincerely,

Reynold E. Carlson

REC:mas
Enclosures

Black Tour

*Mr. Consolo
Falls*

OFFICE MEMORANDUM

TO: Mr. R. L. Ganner

DATE: March 15, 1954

FROM: Orvis A. Schmidt

SUBJECT: CENTRAL AMERICA: Mr. Black's tour

(c) Airport, subject of Gen. Ngs. filed under Gen. Ngs.

Attached are reports from Consolo on the visits of Mr. Black and party to Panama, Costa Rica, El Salvador, Honduras and Nicaragua. The highlights are as follows:

Panama

Mortgage Bank

Highways

The Bank is soon to be asked to finance a 4-year highway program: total cost \$9.5 million, half of which would be foreign exchange. Mr. Black said that the Bank would insist on reorganization of Highway Authority which authorities are planning to carry out.

Local Financing

Mr. Black offered the services of George Martin to advise on investment of Social Security Funds and possible local bond issues, and Mr. de Diego (General Manager of I.F.E.), will soon be officially requesting his assistance.

Costa Rica

Fears of U. S. Companies

United Fruit, American and Foreign Power and others fear the nationalist and left wing tendencies of the Figueres administration.

Costa Rica and the Bank

Figueres spoke of hostility to Bank in Costa Rica arising from its insistence on debt settlement. Mr. Black explained the Bank's attitude in such a way as to clear the air.

Power, highway, railway, port and other projects were discussed as possible fields for Bank financing. Mr. Black promised to send a mission soon to take a new look at the economic situation. In the discussion on power, representatives of the Government power company (I.C.E.), assured Mr. Black that the Government did not intend to expropriate or acquire the properties of American & Foreign Power. An I.C.E. engineer, who is going to Europe soon to purchase equipment, will stop in Washington to discuss general matters with our technical staff.

El Salvador

Projects

The following projects were discussed:

OFFICE MEMORANDUM

- (a) A joint Salvadorean-Honduran Highway from Acajutla (Salvador) to Puerto Cortés (Honduras); DATE: March 15, 1954
- (b) Port development, now being studied by Parsons-Brinkerhoff;
- (c) Airport, subject of study by ICAO;
- (d) Development Corporation. Mr. Black criticized proposed organization (which was to be a purely government organization), and offered Bank assistance in re-shaping.

Mortgage Bank

Mr. Black agreed to try to make George Martin available to advise this bank on expansion of its credit activities. (Par. 3).

Arbitration Clause

Mr. Black said current proposal to reverse the second arbitration law, which made it possible to appoint non-resident arbitrators, would deter first-class investors and contractors. The Minister of Economy said he shared these views and would inform the President. As Mr. Black nominated Suárez as arbitrator in CEL-Jones dispute when first law was in force, he must re-nominate him to make appointment effective under second law.

HondurasGeneral Survey Mission

In reply to a request for a general survey mission, Mr. Black expressed willingness to send a small preliminary mission.

It was generally agreed that Honduras urgently needed new roads.

NicaraguaPower Project

Somoza was furious with Harza on account of delay and imperfections of report on Managua steam plant project. Mr. Black said that it was indispensable from point of view of a Bank loan that:

- (a) Government should continue to use a consultant;
- (b) Power company should be reorganized;
- (c) There should be competitive bidding, even for a further stop-gap diesel unit.

The Bank would send a senior engineer to Managua to study the project. Somoza agreed to follow Bank's advice.

Tours - Black

OPERATIONAL MEMORANDUM FOR

MR. BLACK'S TRIP

Proposed National Electricity Institute - Mention should be made here of a related matter, namely, a proposal for the creation of a National Electricity Institute which originated with a foreign expert who was assigned for a period of two years to study Ecuador's electricity problems. At the end of this assignment this gentleman presented to the Minister of Economy a draft decree which would have created such an Institute with sweeping powers, not only inspired by the Colombian example, Ecuador has for some time been considering the creation of a National Economic Planning Board to coordinate and assign priorities to public investment projects. The President is personally interested in this project as is the Minister of Economy and the General Manager of the Central Bank. We have given definite encouragement to it from time to time and have undertaken to help them recruit foreign staff for the Planning Board if required.

The Mr. Knapp discussed this project with the President during his visit to Ecuador in the Spring of 1953, and Mr. David Gordon spent two weeks in Ecuador on a special mission last fall to consult on this matter. A draft decree which would establish a Planning Board was transmitted to the Bank by Dr. Pérez Chiriboga, General Manager of the Central Bank, in a letter dated December 9, 1953. Mr. Knapp replied on December 23, making some detailed comments and he was assured in Dr. Pérez Chiriboga's letter of January 28 that these matters were being taken care of, partly in the eventual "regulations" which would be issued pursuant to the decree. He did not indicate when the decree would be issued, however, and no further information has been received on this matter.

The proposed Planning Board would be advisory to the President of the Republic and would include both public officials and private citizens appointed by the President. It would elect one of the latter as its chairman. It would have a technical staff, probably headed by a foreign expert with an Ecuadorian as second in command and with a mixed Ecuadorian and foreign staff of technical experts. It would have no executive or administrative authority but would have broad responsibility for making recommendations to the President in connection with public investments and other aspects of economic development policy.

A Planning Board in Ecuador should be a very useful instrumentality, especially in view of the widespread autonomous agencies which are carrying out public investment projects there without proper coordination. However, the Ecuadorians have shown some tendency to pursue this matter simply because they thought that by analogy with Colombia, this would help them obtain loans from the Bank. They have been told very positively that this is not the case, except in a limited degree, and that they should regard this Planning Board as primarily an instrument for making better use of their own resources rather than for obtaining Bank loans.

.....

Tolson - Black

OPERATIONAL MEMORANDUM FOR

MR. BLACK'S TRIP

Proposed National Electricity Institute - Mention should be made here of a related matter, namely, a proposal for the creation of a National Electricity Institute which originated with a United Nations' expert who was assigned for a period of two years to study Ecuador's electricity problems. At the end of this assignment this gentleman presented to the Minister of Economy a draft decree which would have created such an Institute with sweeping powers, not only to study and make general recommendations on electricity projects, but also to own and operate all electricity undertakings in the country. Provision was made for its acquisition of existing properties, both public and private. (The City of Guayaquil is presently served by a subsidiary of the American & Foreign Power Company.) In short, the proposal appears to envisage a huge bureaucratic operation wholly unsuited to Ecuadorian conditions. *omit foreign staff for the Planning Board if required.*

The Minister of Economy under whom this operation would fall, invited the Bank's views on this matter and after a meeting which was held at the Bank with a group of people from the United Nations, including the expert who had originally made the recommendations, Mr. Knapp wrote to the Minister on December 31st last, recommending major changes in the proposed decree. In brief, he proposed that the National Electricity Institute be limited, at least at the outset, to advisory and planning functions, with its activities being subordinated to those of the over-all Planning Board. It was recommended to the Minister that the question of what operating agencies would best meet Ecuador's need should be deferred until later on and he was told that the Bank's tentative view was that Ecuador would be much better served by a number of individual enterprises than by a nation-wide monopoly. The United Nations' expert, probably under some pressure from his superiors, wrote to the Minister along similar lines. On January 25th the Minister sent Mr. Knapp a cable stating that the electrification problem remained under study, and no further word has been received since.

expert with an Ecuadorian as second in command and with a mixed Ecuadorian and foreign staff of technical experts. It would have no executive or administrative authority but would have broad responsibility for making recommendations to the President in connection with public investments and other aspects of economic development policy.

A Planning Board in Ecuador should be a very useful instrumentality, especially in view of the widespread autonomous agencies which are carrying out public investment projects there without proper coordination. However, the Ecuadorians have shown some tendency to pursue this matter *they thought that by analogy with Colombia, this would help* loans from the Bank. They have been told very positively that *is not the case, except in a limited degree, and that they should regard this Planning Board as primarily an instrument for making better use of their own resources rather than for obtaining Bank loans.*

March 3, 1954
JBKnapp:ehb

.....
.....

Tous - Black

OPERATIONAL MEMORANDUM FOR

MR. BLACK'S TRIP

URUGUAY - CURRENT LOAN DISCUSSIONS

When Mr. Black arrives in Uruguay, Mr. Sandelin will be completing a three-week visit there during which he will have been discussing with the Uruguayan authorities the Bank's letter of December 4, 1953 (copy attached), in which we stated our position with respect to the various pending loan applications from Uruguay. It is not possible to foresee now what if any problems will require Mr. Black's intervention. Presumably Mr. Black will not want to get involved in detailed loan discussions any more than necessary, but the following points may be mentioned on which he may want to speak to the Uruguayan authorities.

1. The difficulty which confronts the Bank in obtaining European 18% currencies. We are asking the Uruguayan authorities to go a considerable distance in working out the details of their investment projects, including requesting bids on the necessary equipment, before they have any firm commitments from us. From our point of view this is a necessary prerequisite in getting 18% currencies, but they may resist this procedure.

2. The Bank's desire to see the \$40 million reserved for non-agricultural lending devoted in part to railway financing. Since the Uruguayans had hoped to get \$40 million from the Bank for their power program alone, and since the Bank has indicated the need for the rehabilitation of the Uruguayan railway finances before it would extend a railway loan, the Uruguayans may well tell us that they would like to have a \$40 million power loan and would handle the railway problem out of their own resources. From the Bank's point of view there are two objections to this: (a) that this would mean placing an undue portion of our funds in a single enterprise, UTE, to which we have already lent \$33 million, and (b) that this would deal us out of the railway picture entirely even though we know that rehabilitation of the railways is very important to the whole economic development of the country and particularly to the successful execution of the agricultural program which we plan to finance.

JBK:ehb
March 3, 1954

OPERATIONAL MEMORANDUM FOR

MR. BLACK'S TRIP

EL SALVADOR - HIGHWAY PROJECT

A Bank mission visited El Salvador in November of last year to study the so-called Coastal Highway Project on which a loan application for \$6-8 million had been received from the Salvadorian Government.

The attached letter to be delivered by Mr. Black to Col. Osorio sets forth the Bank's position regarding this project. In short, we will be ready to start negotiations for a loan upon receipt of certain additional engineering data necessary to firm up the cost estimates.

A few days ago we received from the Ministry of Public Works some information regarding the surveys which are now under way to provide this engineering data. The Bank engineers are now examining this information. However, additional work is still to be done by the Salvadorians and they should be urged to carry out this job as soon as practicable.

In view of the Highway Department's shortage of technical personnel, it will be necessary for the Salvadorians to engage the services of engineering consultants to prepare detailed plans and specifications and to supervise construction. The Department and the Ministry of Public Works agree that this would be the most practical way to execute the project. We are willing to consider financing the foreign exchange costs of such engineering studies and of the supervision of construction. To save time, the Government should be urged to proceed immediately to hire an engineering firm to do that work.

Attachment

E Franco: JB Knapp: ehb

cc: Messrs. Schmidt, Consolo, Franco

OPERATIONAL MEMORANDUM FOR

MR. BLACK'S TRIP

COSTA RICA - COSTA RICAN EXTERNAL DEBT SETTLEMENT

Aside from an Eximbank loan of \$6 million, Costa Rica's external debt consists of \$8.6 million of 20-year dollar bonds issued in 1952 in connection with their dollar debt settlement; about \$6.8 million equivalent in sterling issues which are still in default; and a French gold Franc issue which is also in default.

When Mr. Esquivel called upon Mr. Black in Washington recently, his attention was called to the continued default on the non-dollar obligations and he was told that this would constitute an obstacle to Bank loans in Costa Rica. Mr. Esquivel undertook to review this problem, especially in the light of the Peruvian settlement which, at least in the case of the sterling issues, set a possible precedent for the treatment of the controversial exchange rate problem.

The dollar bond settlement conforms to the usual "Latin American" pattern. Interest on the new bonds rises from 1 1/2 per cent to 3 per cent commencing in 1956, and accrued interest was settled on the basis of 10 per cent in new bonds. There is a strong sinking fund rising gradually to 3 per cent cumulative commencing in 1956.

Presumably, the British would accept the same terms if in addition, the Costa Ricans would recognize the \$4.86 exchange rate which applies to the main sterling issue. Of course the Costa Ricans may want to get the British to make concessions on other points, along the lines of the Peruvian sterling settlement. However, we have been told by the British that, in the Costa Rican case, they would not want to make any concessions beyond a "face-saving" gesture in the direction of lengthening maturities, since they feel that the Costa Rican offer to the dollar bondholders is considerably worse than the Peruvian offer, and for other reasons.

In the Costa Rican case, the French Franc bonds are a more serious problem than they were in Perú. So far as we know, the validity of the French claim is not contested and the amount may be substantial. The claim is for 5.4 million gold Francs and this will be compromised somewhere between the full gold value of \$1,779,000 and the paper Franc value of a mere \$15,000.

JBKnapp:ehb
cc: deBeaufort, Schmidt, Consolo

OPERATIONAL MEMORANDUM FOR


MR. BLACK'S TRIP

COSTA RICA - POLICY TOWARD PRIVATE ENTERPRISE

In connection with the Bank's eventual consideration of the Rio Grande Hydroelectric Project sponsored by the Costa Rican Government, we shall want to consider the question of the Government's attitude toward private enterprise, both directly in the power field and otherwise. We have, therefore, arranged interviews in the last few days, which are recorded in the attached memoranda, with representatives of the American & Foreign Power Company and the United Fruit Company to discuss their relations with the Costa Rican Government.

Apparently the American & Foreign Power Company is reasonably well satisfied with their present treatment in Costa Rica. They are presently engaged in the installation of a new 10,000 kw steam plant but seem quite reconciled to the idea that the larger hydroelectric plants would be built by the Government. They also expect to sell out their telephone company in San José to the Government and would be glad to get rid of it. Their main concern (this came out of a separate conversation from the one reported in Mr. Davies' memorandum attached) is that the Government not enter into the distribution field in competition with the Company. They say they have had reassuring statements on this subject from Figueres, but that it is a point for the Bank to keep an eye on.

As for United Fruit, they are in the middle of critical negotiations with the Government regarding their future tax status in the country, and they are moving with great caution since they feel that any deal they make in Costa Rica will create a precedent for their operations elsewhere. So far there has simply been an exchange of letters in which the parties have expressed their general points of view, and negotiations have by no means reached the advanced stage which was suggested by the remarks of the Costa Rican Foreign Minister, Mr. Esquivel, when he visited the Bank recently. However, the Company seems to feel that it is receiving friendly and understanding consideration by the Costa Rican Government.

 JBK:ehb
Attachment

cc: Messrs. Schmidt, Consolo

OPERATIONAL MEMORANDUM FOR

MR. BLACK'S TRIP

NICARAGUA - POWER PROJECT

The Nicaraguan Government applied on February 5 for a loan of approximately \$7 million to finance a steam power project for Managua and the surrounding area. They attach great importance to this project and will undoubtedly wish to discuss its status with Mr. Black on his visit to Managua.

The 1952 report of the Bank mission on The Economic Development of Nicaragua assigned top priority to expansion of power capacity, especially in the Managua region, and proposed a steam plant of 10-15,000 kw to bridge the gap of 8 or 10 years before a hydro power project could be completed. In fact, the demand has grown even more rapidly than they apparently anticipated. Lack of power is now a serious bottleneck to development, especially of industry in Nicaragua.

The power project is of key importance in the Bank's close working relationship with Nicaragua, because (a) it is basic to the success of the Bank-sponsored development program; (b) its execution under the conditions of objective study, competitive bidding and close supervision of the work, on which the Bank has insisted, will help to establish these standards for Government operations generally; and (c) administrative and financial reforms in the power company, on which we have also insisted, would be a model for other public services.

On the other hand, some would-be suppliers of equipment or contracting services have criticized the Bank's approach as involving undue delay and unnecessary engineering costs; and there has been some local pressure for Nicaragua to by-pass the Bank and its conditions. So far the Government has rejected this course.

On the Government's taking initial steps along the lines we recommended, to study the over-all project adequately and make necessary administrative reforms, the Bank agree to finance a 3,000 kw diesel unit, which is now being installed as an interim step, to help alleviate the immediate shortage. Unfortunately, the technical study made by the Harza Engineering Company (chosen as consultant with our approval) was considerably delayed and did not, in the view of our engineers, adequately justify their choice of steam over diesel power. Their report is being revised, and it is hoped the entire project can be in final form within two or three months.

It appears, however, that the next step in any case may be to install another diesel unit, which should be ordered as soon as possible to reduce the period of power stringency. We are now giving consideration to a second interim loan for this purpose, which would involve something like \$600,000 to \$700,000. It is agreed that satisfactory reorganization of the company will be a precondition of any such loan.

JEKnapp dg

cc: Messrs. Schmidt, Consolo

OPERATIONAL MEMORANDUM FOR

MR. BLACK'S TRIP

EL SALVADOR - ARBITRATION

Early in January, the Bank was advised that the Ministry of Justice of El Salvador had submitted to Congress a bill that would prevent non-residents of El Salvador from serving as arbitrators in controversies involving foreign interests. Passage of such a bill would reverse action taken by the Salvadorian Congress in March of last year; would disqualify Dr. Suarez of Mexico, who was appointed arbitrator by Mr. Black to serve in the CEL-Jones pending arbitration; and more generally would limit El Salvador's ability to obtain the services of foreign contractors and hence increase the costs of projects to be undertaken there.

On January 14, 1954, Mr. Black wrote a letter to the Minister of Economy (see copy attached) inquiring whether the bill in question had indeed been presented to Congress and, if so, requesting a copy and information on its present status.

The Minister of Economy answered Mr. Black's letter on February 15, 1954 (see copy attached) confirming that the Government intended to eliminate non-residents as arbitrators in El Salvador, except that arbitrators already appointed would be permitted to act in that capacity (thus covering the Suarez case). The Minister added that during Mr. Black's stay in El Salvador he would give him more details.

It should also be mentioned that Mr. Sommers has been informed that El Salvador's Supreme Court has rendered an opinion against the proposed amendment. Apparently, the Congress is not bound by the Supreme Court's opinion, which, nevertheless, should have a good deal of weight.

Attachment
JBKnapp:mas

cc: Messrs. Schmidt, Consolo, Franco, Sommers

OPERATIONAL MEMORANDUM FOR

MR. BLACK'S TRIP

HONDURAS - MR. PAUL VINELLI

Mr. Paul Vinelli, an American citizen of Italian origin, who served from 1948 to 1952 as a Junior Economist with the International Monetary Fund, has been serving in Honduras since 1952 as the Government's principal Economic and Financial Adviser. He expects that the elections later this year will lead to political changes requiring his retirement from the scene and he has indicated his interest in joining the staff of the Bank. We have been in correspondence with him on this matter and are interested in his candidacy for a middle-grade position. He is coming to Washington for a conference in April and we will interview him at that time. Meanwhile, he may approach Mr. Black during his visit in Honduras and it may, in any case, be useful for Mr. Black to obtain an impression of him.

JBK
JBKnapp:ehb
cc: Mr. Fowler, Schmidt, Consolo

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FOR THE PRESS

FOR IMMEDIATE RELEASE

Press Release No. 354

February 25, 1954

Eugene R. Black, President of the International Bank for Reconstruction and Development, will leave tomorrow, February 26, on a four-week visit to Latin America. He will visit, in the order named, the following member countries of the Bank: El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Ecuador, Uruguay and Brazil. During his journey, he will also spend a few days in Argentina.

Mr. Black is taking this trip to acquaint himself at first hand with problems of economic development in these countries. He will have discussions with officials and other persons concerned, and will visit some of the development projects being financed by the Bank.

Dr. Enrique Lopez-Herrarte of the Bank's staff will accompany Mr. Black throughout his journey. Dr. Luis Machado, an Executive Director of the Bank, and Federico Consolo of the staff will accompany him on the visits to the Central American countries. J. Burke Knapp, Director of the Bank's Department of Operations for the Western Hemisphere, will join him in Panama for the remainder of his journey.

Mr. Black's basic itinerary is as follows:

February 26 - Arrive San Salvador, El Salvador
February 28 - Arrive Tegucigalpa, Honduras
March 2 - Arrive Managua, Nicaragua
March 4 - Arrive San Jose, Costa Rica
March 6 - Arrive Panama City, Panama
March 10 - Arrive Quito, Ecuador
March 12 - Arrive Guayaquil, Ecuador
March 14 - Arrive Buenos Aires, Argentina
March 17 - Arrive Montevideo, Uruguay
March 21 - Arrive Rio de Janeiro, Brazil
March 29 - Arrive New York City

Tours - 9 = Black

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
Washington, D.C.

FOR THE PRESS

FOR RELEASE
A.M. Newspapers
May 23, 1953

Eugene R. Black, President of the International Bank for Reconstruction and Development, is leaving today (May 23) for a three weeks' stay in Europe. His itinerary includes visits to Paris, London, Geneva, Basle and cities in Germany.

In Switzerland, he will attend a meeting of the United Nations Administrative Committee on Coordination in Geneva, on May 25-26, and the annual meeting of the Bank for International Settlements in Basle beginning on June 7.

Mr. Black's visit to Germany is in keeping with his practice of visiting member countries for discussions with leaders in government, business and financial circles to obtain firsthand knowledge of the problems involved in the country's development. This is Mr. Black's first visit since Germany joined the Bank in August 1952.

Mr. Black will arrive in Düsseldorf on June 3 and will then visit Bonn and Frankfurt. He will be accompanied by S. R. Cope, Assistant Director of the Bank's Department of Operations for Europe, Africa and Australasia and Benjamin B. King, of the same department.

Mr. Black will return to the United States on the Queen Elizabeth sailing from Cherbourg on June 11.

Copy in General Files - PR - Press Releases

Tours - Mr. Black

MR. BLACK'S SCHEDULE IN ADDIS ABABA

TUESDAY

- March 17th - 6:30 Mr. Norberg visited Mr. Diamond
- 8:00 Dinner, Dr. Baranski (Mr. Black alone)
(Rest of party at German Legation)
- 9:30 Mr. Hubbard visited Prud'homme and Diamond.
(Mr. Black joined towards the end)

WEDNESDAY

- March 18th - 9:30 Mr. Norberg
- 10:15 Acting Minister of Foreign Affairs
- 10:30 Palace, to sign Royal Book
- 11:00 Minister of Finance - Ato Malkomen Habte Wolde (Courtesy)
(Private talk with Mr. Black)
- 12:00 Minister of Commerce - Deressa (Courtesy)
- 1:15 Lunch, Mr. Black with Mr. Bender of Sinclair (At Legation)
Diamond and Prud'homme with Dr. Baranski
- 3:00 Mr. Stringer
- 4:00 State Bank
- 4:30 British Ambassador
- 6:30 Cocktails, American Embassy (Men Only)

THURSDAY

- March 19th - 9:00 Telecommunications Board - Desta and Norberg
- 9:30 Mr. Hubbard at IHA
- 10:00 Ministers of Finance and Commerce
- 12:15 Development Bank
- 1:00 Lunch, Minister of Finance
- 3:00 American Embassy (Black and Prud'homme)
(Diamond visited Highway Authority)
- 5:30 Imperial Audience
(Mr. Black alone - Black Tie)
- 6:00 Imperial Reception

FRIDAY

- March 20th - 10:00 Minister of Finance (Mr. Black alone)
- 6:00 IHA (Diamond)
Minister of Finance (Mr. Black)

SATURDAY

- March 21st - 9:00 Press Conference
- 9:00 Finance Ministers (Diamond)

Original in Ethiopia
Gen. N. F.

Files

OPERATIONAL MEMORANDUM FOR

MR. BLACK'S TRIP

strong program for general monetary policy. It is even more alarming that payments are actually to be offered in dollars. Apparently the proponents of the bill argued that since there is a free exchange market in Brazil this would not actually increase the dollar value of the debt. But this is unrealistic. There is still a further feature of the proposed loan, however, which may directly involve the Bank because of our negative pledge clause.

BRAZIL - FUNDING OF INTERNAL DEBT

The final paragraph of the Larsen-Carlson memorandum on the economic situation in Brazil refers to an alarming development which has occurred in connection with the funding of Brazilian internal debt. This matter may be set forth briefly as follows:

A bill has been introduced into the Congress by President Vargas, apparently at the instigation of the President of the Bank of Brazil and with the approval of Minister Aranha, to make one huge refunding issue which would be exchanged for all outstanding Federal, State, and Municipal obligations. The exchange would be at 1953 market values for the outstanding securities; it would be enforced in the case of Federal Government securities; it would be optional in the case of holders of State and Municipal obligations.

The refunding issue would be retired over thirty years by annual drawings or by purchases in the market. The nominal rate of interest would be 3 1/2% per annum, free of income tax, but as an additional attraction both interest and amortization would be payable in New York in dollars at the present official exchange rate, or at the option of the bondholders, in cruzeiros amounting to the equivalent of these dollars at the current free market rate. Since the current free market rate is three times the level of the official rate, this means that at present the actual cruzeiro return would be three times 3 1/2%, or over 10%. Furthermore, in the future the return in cruzeiros would increase as the free market rate depreciates.

State and Municipal bondholders would be able to participate in this plan only if the local government concerned agreed to contract no new debt for a period of ten years except for (a) tax anticipation borrowings up to 30% of its budget, and (b) borrowing to finance productive investment. Each participating local government would reimburse the National Treasury out of its regular budget for the costs of servicing refunding bonds attributable to it, but only up to a maximum of 5% annually on its presently outstanding debt. Roughly speaking, this would reimburse the Federal Government for the regular 3 1/2% interest charge and sinking fund, but leave upon the Federal Government the burden of the "escalation clause" resulting from the dollar exchange guarantee.

There are outstanding about 25 billion cruzeiros of Federal Government obligations and 30 billion cruzeiros of State and Municipal securities (26.5 for the States). Assuming an average market value of 80%, this would mean that about 45 billion cruzeiros of refunding bonds would be required. The proposed law authorizes an issue of 60 billion cruzeiros, which therefore leaves a substantial margin for the issuance of securities for new money.

It would be alarming enough if the Brazilian Government contemplated assuming this tremendous financial obligation with merely a dollar exchange clause. This is a form of "built-in inflation" unless it is linked with a

strong program for general monetary stabilization. It is even more alarming that payments are actually to be offered in dollars. Apparently the proponents of the bill argued that since there is a free exchange market in Brazil this would not actually increase the export capital by Brazilians but this is unrealistic. There is still a further feature of the proposed loan, however, which may directly involve the Bank because of our negative pledge clause.

The final paragraph of the law states that the proposed law would impose a 3% charge on Consular invoices for all exports to Brazil to provide funds to service the refunding loan. The actual text of this Article (Article 6) is as follows:

"To cover these dollar charges for the service of interest and amortization on the loan referred to in this Law, there is created with an "emolument" of 3% on all goods and merchandise exported to Brazil. Para. 1 - This "emolument" will be calculated on the declared value of Consular invoices including freight, insurance and other expenses and collected by the respective Consul and remitted to the Treasury delegate for the purposes of this Law.

Para. 2 - The collection of this "emolument" will cease as soon as the bonds under this law are completely retired."

Apparently the proponents of the bill feel that the imposition of this fee will actually provide resources to service the debt, overlooking the obvious point that this charge would simply be passed on to the Brazilian importer and be paid out of Brazil's own exchange resources. Furthermore, a large part of the return of the Consular fees would be in soft currencies, whereas the debt service is in dollars. A 3% charge on U. S. exports to Brazil might yield something like \$25 million. On the other hand, assuming a 45 billion cruzeiro issue, interest alone would require about \$85 million a year at the outset if holders exercise their option to take payment in New York.

Ivar Rooth went over this whole matter with Minister Aranha during his recent visit to Rio, but reports that he was unable to persuade the Minister that the passage of this bill would be very unwise. Roughly speaking, this would reinforce the Federal Government for the regular 3 1/2% interest charge and sinking fund, but leave upon the Federal Government the burden of the "escalation clause" resulting from the dollar exchange guarantee.

There are outstanding about 25 billion cruzeiros of Federal Government obligations and 30 billion cruzeiros of State and Municipal securities (26.5 for the States). Assuming an average market value of 80%, this would mean that about 45 billion cruzeiros of refunding bonds would be required. The proposed law authorizes an issue of 60 billion cruzeiros, which therefore leaves a substantial margin for the issuance of securities for new money.

It would be alarming enough if the Brazilian Government contemplated tremendous financial obligation with merely a dollar exchange as a form of "built-in inflation" unless it is linked with a

JBK:stehb
March 5, 1954

Jours 7: Black

Enroute Cairo to Istanbul

March 23, 1953

Dear Jeff:

The Aegean was very lovely flying over it, the food at our luncheon stop in Athens was less so. Life is very hectic and got up at 4:00 AM yesterday to leave Asmara where we got stuck for a night. Typing the attached partial report last night till 1 AM, up at 5:00 AM to make this plane. Most interesting trip with a good diversification of high spots and low ones.

This is on Ethiopia--very briefly. You will have heard from Dorsey and Feliks on the parts of the trip after Lebanon.

Considering Ethiopia in terms of the probable, and not of project goals and "western" standards, the trip was very satisfactory. We got all shades of opinion and probably will be left with a residue we shall not even attempt to evaluate. I am referring to the rumors and counter-rumors of people other than the officials with whom we dealt. As to the latter, they understood what we had to say, we said everything we wanted to, and I believe we accomplished what we wanted to. Whether the projects will proceed in future along more normal lines is something else--but I think you will find us less concerned than before we came.

Enclosed are seven plus pages of notes on Development Bank and Highways. Spent 3 hours with Matter yesterday afternoon and gave him a "tour d'horizon" which it would have been foolish for him to visit Ethiopia without having had from us. This has all turned out well; I did have a brief question about the propriety of the T.O. Department just telling us they were sending Matter, without apparent reference to what might come out of Mr. Black's trip, and under other circumstances it could have proved embarrassing. As it is it will work out excellently.

We are getting in in a few minutes. Just want to add that Norberg reports he is getting along all right "for the time being" with Desta. Telecom turned out to be the least bothersome of the three main questions we had to take up.

Most surprising was the Ethiopian lack of interest in another highway loan--the interest was in fact negative. Not one word was said about any additional borrowing from the Bank for anything, and this pleased Mr. Black. Everyone else along our route has had his hand out.

Time to fasten belts. Will try to get this in the mail. You can see it is rough draft for our own use, but I know you will be interested. Whether the rest gets done in time to send is problematical, but I have given you the feel of the thing which I think is what you will want.

It will be interesting to get back and see how things are progressing with you. Bill Diamond, 15 pounds lighter, looks well. Sends his regards as do the rest of the party and myself.

All the best,

/s/ Hector Prud'homme

cc: Messrs. Garner, Iliff, Gregh, Folk

✓ Ethiopia-Cen-11/2

Jours - 17 = Black

COPY

Cairo, March 21, 1953

Dear Jeff,

The following are a few general remarks on our findings, to supplement Dorsey's letter:

EGYPT: Contrary to what is sometimes believed abroad the regime is not a one man's dictatorship, but more like a junta, with the real power in the hands of a group of 12 or 13 young Army officers.

Naguib, the oldest among them and the one who joined the group comparatively late is Chairman and coordinator of the group. Can be outvoted but is much more than a figurehead; has gained considerable popularity and became a symbol of the new order in the eyes of the populace, which in turn strengthens his position within the junta. Relationships between the ruling group of officers and the civilian government not 100% clear, but on the whole do not seem to lead to friction. Officers are inclined to invite and accept advice of experts. They apparently have no well-defined program or socio-political outlook. Are united by hatred of former King and previous regimes as well as the belief in the necessity of land reform. Apparently, as a *Bundy*..... honest patriotic, well intentioned but not quite predictable. Nevertheless, in the opinion of both foreign observers and responsible Egyptians, this is the best regime the country has had for many years. Its popularity, quickly established, may suffer in the longer run if public opinion should begin to associate it with the prevailing economic crisis.

This crisis was mainly caused by the drop of cotton prices but was aggravated by the foolish policy of previous governments which by intervention in the market maintained cotton prices at a completely unrealistic level. This policy, which we already witnessed in 1951 had the following main detrimental effects: (a) it caused heavy financial losses to the Treasury; (b) it lost, at least temporarily, some foreign markets; (c) it delayed - by at least 6 months the downward adjustment of imports, thus causing a foreign exchange outflow; (d) it delayed the switch of some marginal cotton lands to other crops. On top of these difficulties came a capital flight which followed the Cairo riots.

As a result of all this Egypt had a record balance of payments deficit in 1952 (estimated tentatively at LE 60 million) and was losing during the 18 months preceding January 1953, foreign exchange assets at the average rate of about \$12 million a month. Since the beginning of 1953 drastic import restrictions and other foreign exchange measures have stopped this outflow or at least reduced it considerably.

Future prospects for a balance of payments equilibrium are dimmed by these three factors: (a) smaller expenditure of British troops in the Suez Canal zone; (b) decreasing domestic production of petroleum (no prospecting has been carried out for a few years because of the objectionable provisions of the mining law - now revised); (c) development projects on whose success the entire hope for Egypt's long-term creditworthiness, depends have been somewhat delayed by the shift to new concepts (High Aswan Dam instead of Merowe and Wadi Rayan) which require more study - cost estimates of practically all projects have also risen considerably since 1951. All

✓ Syria - Gen. ✓ Egypt - Gen. ✓ Jordan - Gen.
✓ Lebanon - Gen. ✓ Iraq - Gen.

this makes a downward revision of Egypt's creditworthiness necessary at least until we are convinced that the development program will be as beneficial to the economy as the Egyptian Government now assumes. It is easy to foresee that Egypt will not be able to borrow the entire foreign exchange component of the major development program, on which the country's future depends. Grant aid on a large scale may help but cannot be expected to materialize unless political settlements (Suez, Middle East defense pact) take place. In the meantime there are some hopes that Germany may be willing to grant certain loans in German terms (and perhaps with lower security than such loans as the Bank may agree to) in order to (a) continue to foster its trade and, especially, obtain development contracts; (b) to offset the political resentment which the German indemnities to Israel have created in the Arab world.

LEBANON: You saw, by now, a copy of the Lieftinck report. It seems very likely that the Bank may wish to go ahead in assisting the Lebanese to set up a Development Bank, which assistance will presumably be 80% technical and only for the rest financial. Notwithstanding the merits of this project, it appears, that the most acute problem and the main stumbling block to further economic development is the shortage of power. This is somewhat paradoxical, considering that the Lebanon is the one country in the area with comparatively large hydroelectric potential. (Le chateau d'eau du Proche Orient - as the Lebanese like to boast). As you will remember, development in this field was delayed partly by the deadlock between the government and the Compagnie d'Electricite de Beyrouth. This concessionary firm, dating from the days of the mandate, is often accused of making exorbitant profits and consumers refused to pay until the government decreed new rates. All this, naturally, stopped the company from further investment which aggravated the supply position even more. Opinions as to what our Bank could do to help, are divided. G. Hakim, the Finance Minister, supported my view, that it would be politically impossible for the government to start its cooperation with the IBRD by guaranteeing a loan to a foreign company which has been so severely criticized. The President of the Republic seemed, at a certain stage, to be of a different opinion but may have changed his mind since then, as the latest information about the "sequestration" of the company would indicate. Grandchamps, the president of the Company, who at a certain time thought that our participation in the financing of a further power plant might protect his interests, now told us that he wants to get out altogether and in case of further difficulties will fall back on arbitration, which according to a clause in the old concession agreement, is to be decided by a French official. We shall try to return with some documentation on this matter, considering that Messrs. Basyn and Hoppenot will presumably intervene with the Management, if they have not done so already.

JORDAN. It was somewhat embarrassing to see what great expectations are linked with the country's new membership in the Bank. It seems unlikely, but not altogether out of question that Jordan may at a certain future date obtain an equilibrium in its balance of payments by developing fully its mineral resources (phosphates, manganese and potash) its agricultural production (Yarmuk scheme) and by making both types of products marketable through improved transport facilities (roads and port of Aqaba or return to Haifa).

This development would have to be largely financed on a grant basis (UNRWA, further interest - and presumably also repayment-free loans from the U.K.) While neither UNRWA nor POINT IV can be counted upon as permanent sources of receipts, the British subsidy to the Arab Legion will probably remain during the foreseeable future and invisible receipts may be substantially augmented if, as some people believe, some British troops should be shifted from the Suez zone to Jordan. As the continued existence of Jordan thus depends on further support from the U.K. it does not seem illogical to consider the possibility of a British underwriting of a loan to Jordan. It may be in the British interest to do so in order to create conditions in which the British Treasury could eventually stop pouring money in the country for purposes other than the two above mentioned military necessities.

IRAQ. The greatest danger to economic development seems to come from possible further encroachments of the Government in the field of activity and funds of the Development Board. The latter, in my opinion, definitely makes some progress, although this progress, under the very primitive conditions prevailing in the country, is bound to be slow. I have the impression that were it not for the Development Board, the Government would have deviated development funds for current administrative (or military) expenditure on an even larger scale than it actually did. We were also informed that some politicians of the old school are getting very impatient because the two (English and American) watchdogs on the Board prevent them from associating new projects too closely with immediate benefits for chosen individuals.

SYRIA. Dorsey wrote you already about the state of different projects. We took advantage of the occasion of the President's visit to ask the direct question whether any loan from us was wanted or not. The answer was definitely: yes. This made it necessary to raise the ratification issue. It turned out that as far as the chiefs of State (Selo and Shishakly) are concerned nobody had done so yet, and Minister Diab who had promised Dorsey to prepare the ground has been delaying any action in the hope that elections will take place in the near future. Both in Syria and in Egypt Mr. Black spoke frankly about this problem. On the ratification issue, therefore, as Dorsey had written, all the cards are on the table, - "faces upward" you might add, and there are no jokers in sight to help towards a short cut solution.

You will be interested to see that two days after our departure from Syria, Col Shishakly declared publicly his intention to have elections very soon (Clipping "A"). I also attach a press interview of an old friend Hussein Fahmy (Clipping "B") trying to encourage foreign enterprise in Egypt. It may still take some time until he succeeds but it shows which way the wind is blowing.

Please accept my best regards for yourself and Danuta and remember me to Mr. Gregh.

Yours sincerely,

/s/ Feliks Bochenski

(cc: Messrs. Garner
Iliff
Gregh(with newspapers clippings)

Jows-M= Black
March 23, 1953

MEMORANDUM

Following is a summary of conversations that occurred during Mr. Black's visit to Ethiopia, March 17-21, 1953. The Ministers referred to below are the Ministers of Finance and Commerce; the conversations with them occurred on March 19 and a full report of that conversation is attached.

A. Schedule of meetings

B. Development Bank

1. Capital payments: Dr. Baranski informed Mr. Black that the arrangements for the payment of Eth. \$1 million were satisfactory to him so far as operations in the year 1953 were concerned. However, if the Development Bank were to continue in 1954, he must have by June of this year a definite commitment for further capital payments. Mr. Black informed the Government of the foregoing and suggested a specific schedule for paying in the rest of the Government's capital subscription. He added that unless that schedule were determined by June 1953, he saw no reason for the Development Bank to go on. It might as well close down. Mr. Black assumed that (a) Ethiopia wanted a Development Bank and (b) the Board wanted to keep Dr. Baranski. If those two things were true, the Government must put up more capital. Moreover, if the capital were not put up, he saw no reason for the I.B.R.D. to continue its association with the Development Bank. He asked for a decision on this matter before he left Ethiopia.

The Ministers said it was impossible to make a commitment of the kind Mr. Black requested before his departure. They assured Mr. Black, however, that the matter would be discussed at an early meeting of the Development Bank's Board, and that a definite decision on future capital payments would be reached in sufficient time to satisfy Dr. Baranski. During his audience with the Emperor, Mr. Black discussed the Development Bank's need for capital. The Emperor said the capital would be paid in and asked that Dr. Baranski write to him and suggest a specific schedule of payments. Dr. Baranski

Copy in Ethiopia - Con.
Negs

was informed of this request and said he would write the letter. The Minister of Finance was also informed.

2. Loan Policy; Before Mr. Black's arrival, the I.B.R.D. had been informed by Dr. Bafanski that his Board intended to concentrate all future operations on agriculture. At a meeting of the Board on February 23, the Board modified its position in this regard. The Board agreed that its "intention was not to close down on industrial loans but (that) a policy for agricultural loans should be worked out, so that a more even balance between amounts given to agriculture by the Bank could be established". Mr. Black informed the Ministers that in his opinion it was necessary to grant loans to both industry and agriculture, that if industrial loans were neglected there would be no need for the rest of the I.B.R.D. loan and that the foregoing statement of policy was an appropriate one.

In all Mr. Black's talks with Ethiopian officials, the latter stressed the need for more effort and initiative by the Development Bank on agricultural loans, and intimated they were not sure that Dr. Baranski was yet fully convinced of this need. We had the impression that, despite the Board's reasonable policy statement, there may still be difficulty on this issue, when it comes to consideration of specific loan applications.

The Minister of Finance spoke to Mr. Black about his pet scheme of economic development and how the Development Bank fits into it. He believes the greatest impetus can be given to development in Ethiopia in the field of agriculture. Two things are required: (a) an organization which will buy Ethiopian crops at a fixed price high enough to encourage production, find foreign markets for those products, and sell them there; (b) an organization which will sell (on credit, if necessary) good seeds and a simple plow to the farmer. He believed the Development Bank should undertake both tasks. Mr. Black said that the idea was an interesting one and that the I.B.R.D. would consider it, but that it was not the proper activity for the Development Bank.

, Dr. Baranski has not set up a branch office in Jimma, as he said he would last summer. He said his Addis office is capable of handling all available applications in that area and that the establishment of a branch office would create overhead expenses greater than its lending activity could justify. Mr. Black emphasized to Dr. Baranski the importance of demonstrating interest in agricultural loans.

3. Board-Management relations: Mr. Black asked whether Dr. Baranski enjoyed the confidence of his Board and whether their relations had improved. The Ministers said that there had been improvement recently and that they expected more. They said they had confidence in the Development Bank's management. However, two statements by these Ministers throw some doubt on this assurance.

a. The Minister of Commerce asked Mr. Black to stress to Dr. Baranski the importance of agricultural loans.

b. The Minister of Finance, asserting that he had the greatest confidence in and personal friendship for Dr. Baranski, nevertheless said he thought Dr. Baranski would never be content in Ethiopia. The Minister of Finance left the impression that he thought a change might be for the better. He said that Dr. Baranski's previous position in Poland had been so important that his present Development Bank post did not give adequate scope to his energy and ability. And, he said that Dr. Baranski was not well, that the altitude did not suit him, and that he was constantly worried about his wife's health.

Mr. Black referred to the vacancies on the Board and noted that the difficulty of convening meetings hampered the Development Bank's operations. The Minister of Commerce acknowledged this fact and said that a new Board member had already been appointed by the Emperor, but that his name had not been announced yet.

Mr. Black asked Dr. Baranski whether his operations would be facilitated if he were given greater discretionary powers to grant loans without specific Board approval. Dr. Baranski did not consider this important. He said that between \$50,000 (his present discretionary limit) and \$100,000 there were few, if any loans.

4. Dr. Baranski's Salary: Dr. Baranski told Mr. Black he was not happy about his salary, but that he did not wish to make an issue of it until the termination of his contract (February 1954) and that he was glad Mr. Black had not raised this question with the Ministers. He said that if his contract were renewed in February 1954 (and he hoped it would be), he would raise the issue at that time.

5. Personal: Mr. Leyh, the industrial engineer, has been dismissed. Mr. Prost, the credit manager, will leave in April. Neither of these men will be replaced. Dr. Baranski said his new accountant, hired last summer, has had sufficient experience in Ethiopian industry to satisfy the Bank's needs in this respect. One of the Development Bank's secretaries will leave in April; the other may too. Dr. Baranski will in future have only one. The Minister of Commerce referred to the "overstaffing" of the Development Bank, but said that improvements in this regard were taking place.

6. General:

a. Dr. Baranski said his old complaints about the rigidity of I.B.R.D. requirements of information were no longer valid. He believed I.B.R.D. was no longer asking too much of him.

b. He is still having and will continue to have difficulties in obtaining adequate security for his loans, particularly agricultural loans. In the field of agriculture he considers mortgages as primarily a form of negative pledge, i.e. a means of preventing additional loans from being incurred by the same borrower, rather than as a true security for his loan.

C. Highway Project

1. Finances: The Government is indebted to the IHA, but the precise amount of indebtedness is uncertain. The Eth. \$2 million appropriated for the year 1953 were paid into the IHA's account on March 18. In his talk with the Ministers Mr. Black said he had heard the remaining indebtedness amounted to about Eth. \$ 3.7 million as follows:

a. Eth. \$1.7 million required to make up the guaranteed Eth. \$4 million of tax revenues for the year 1952.

b. Eth. \$ 1 million for each of 1951 and 1952, representing the difference between the guaranteed Eth. \$4 million and the actual amount of gasoline taxes collected.

With regard to (a), the Deputy Minister of Finance said the deficit was much less. Subsequent discussions between the Deputy Minister and the IHA, revealed that certain taxes collected by the customs authorities had not yet been paid into the IHA account or had been paid into the wrong account. Specifically,

Paid into the IHA account during this year March 1, 1952 - February 28, 1953 -	Eth. \$2,276,000
Collected by the Addis Ababa customs office, but not yet deposited -	545,000
Collected in Assab and Massawa by the end of January, but seem to have been deposited to the wrong account -	<u>303,000</u>
Total	Eth. \$3,124,000

Instructions were given on March 20, that the undeposited Addis Ababa collections be paid to the IHA at once. The Eritrean deposits may take a few days to unravel, but the Deputy Minister asserted the monies would be paid in quickly. In any event, the deficit (the amount short of the guaranteed Eth. \$4 million) will amount to about Eth. \$800,000 - when Eritrean collections in February are taken into account.

The foregoing amounts refer only to gasoline customs revenues. They do not include collections under the toll tax, which is a sales tax levied on petroleum products. The Board of the IHA has taken the position that both customs and toll taxes are required to be paid to the IHA under the terms of the Loan Agreement and of the IHA charter; this is also the opinion of the Deputy Minister of Finance acting as a member of the Board. However, as an official of the Finance Ministry, the Deputy Minister presented the official view of the Government, which is that toll tax is not covered by the documents mentioned above, and need not be paid to the IHA. Both the Deputy Minister and the IHA agree that toll tax collections amounted to about Eth. \$2 million in 1951 and

to about Eth. \$2.3 million in 1952.

The toll tax collections are, under the law, paid to the Ministry of Communications and Public Works. The Deputy Minister of Finance asserted that they are then turned over to the Treasury. He could not guarantee, however, that the amounts collected by the Minister of Commerce and Public Works equalled the amount turned over to the Treasury.

The IHA states that it cannot go beyond Board resolutions in getting hold of the toll taxes. It believes the I.B.R.D. must decide whether or not to make an issue of the matter.

In his talk with the Minister of Finance and Commerce, Mr. Black said all sums owed to the IHA should be paid in at once, else the project could not be completed. Mr. Black asked why the I.B.R.D. had never received a reply to Mr. Jago's letter of August 1952, in which three specific questions were asked concerning the customs and sales taxes and the amounts collected under each. There had been no reply. It developed later that the letter could not be found. The IHA found its copy of the letter on March 21; this was lent to the Deputy Minister.

2. Completion of Project: Mr. Black reported to the Ministers Mr. Humbard's conviction that the Project as originally laid out could be completed on schedule (in February 1954) if the IHA received the appropriated Eth. \$2 million and the guaranteed Eth. \$4 million of taxes (*i.e.*, even without taxes in excess of the guaranteed Eth. \$4 million). Mr. Humbard even believed that more work would be carried out than was originally contemplated. The IHA is now spending at the rate of Eth. \$800,000 per month. If only Eth. \$4 million from taxes were forthcoming, IHA expenditures would have to be cut almost in half.

The Ministers said they hoped the project would be completed on time, but they doubted it could be done. Mr. Black said this was one of the questions Mr. Matter would look into during his forthcoming inspection trip. The Ministers hoped they would be informed of Mr. Matter's conclusions.

Mr. Black then asked what arrangements the Government had in mind for the management of the IHA after February 1954, if the Ministers were correct and the project were not completed by that date. The Minister of Commerce said this was an important question but no thought had yet been given to this matter.

3. Management after Construction Period: Mr. Humbard reported that, although his people have trained a good group of Ethiopian operatives and workmen, he had had no success in developing Ethiopians on the supervisory administrative and managerial levels. Mr. Black told the Ministers he was concerned about what would happen to the project after the construction period. Mr. Black asked what arrangements were contemplated for the management of the IHA and for the maintenance of the project thereafter. The Ministers said this matter, too, had not yet been considered, but it would be soon. In this connection, the Minister of Commerce said the Government was worried about whether the IHA was maintaining its equipment properly and about whether it was buying sufficient spare parts. He hoped Mr. Matter would study this carefully and inform the Government. Mr. Black said Mr. Matter would.

4. New highway projects: The representatives of the Government expressed no interest at all in new highway financing. The Minister of Commerce on two occasions referred to the undesirability of expanding the highway program until the present project is finished. Mr. Humbard confirmed that no further action has been taken by the Government in connection with the two proposed new loans, and that interest in them seems to have fallen off. He did not seem concerned about this. The equipment which he purchased last year for the feeder road program (out of IHA funds) would be used on the national highway project. IHA work in Eritrea is being financed by small special appropriations and not out of regular IHA funds.

5. Mr. Humbard: There still seems to be some criticism about Mr. Humbard being highhanded and about his concentration on American equipment. Mr. Humbard is obviously ill and is unlikely to be able to spend as much time in Ethiopia in the future as he has in the past. The Minister of Finance referred confidentially to Mr. Humbard's health and said it was a pity the IHA could not have a head who was able to spend more time in

Ethiopia, who would be younger and able to do more travelling outside Addis.

6. General:

a. Mr. Humbard said the Government would not permit the linking up of the Assab road with Djibouti, as proposed by the French.

b. Mr. Humbard said the Government had decided (on the basis of his September report) not to permit the building of a new rail line from Addis south to Dilla.

c. He looked forward to Mr. Matter's visit.

Cairo, March 21st 1953

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James
Dorsey
great
(newspaper
clipping)

Dear Jeff,

The following are a few general remarks
on our findings, to supplement Dorsey's letter:

EGYPT. Contrary to what is sometimes believed
abroad the regime is not a one man's Dictatorship,
but more like a junta, with the real power in the
hands of a group of 12 or 13 young Army officers.
Naguib, the oldest among them and the one who
joined the group comparatively late is Chairman
and coordinator of the group. Can be outvoted
but is much more than a figurehead; has gained
considerable popularity and became a symbol of
the new order in the eyes of the populace, which
in turn strengthens his position within the junta.
Relationships between the ruling group of officers and
the civilian government not 100% clear, but
on the whole do not seem to lead to friction. Officers
are inclined to invite and accept advice of experts.
They apparently have no well defined program
or socio-political ~~of~~ outlook. Are united
by hatred of former King and previous regimes
as well as the belief in the necessity of land

reform. Apparently ~~perceived~~ as a hardy honest patriot, well intentioned but not quite predictable. Nevertheless, in the opinion of both foreign observers and responsible Egyptians, this is the best regime the country has had for many years. Its popularity, ^{quickly} ~~already~~ established, may offer in the longer run ~~for the association~~ if public opinion should begin to associate it with the prevailing economic crisis.

This crisis was mainly caused by the drop of cotton prices but was aggravated by the foolish policy of previous governments which by intervention in the market maintained ^{cotton} prices at a completely unrealistic level. This policy, which we already witnessed in 1951 had the following main detrimental effects: (a) it caused heavy financial losses to the treasury; (b) it lost, at least temporarily, some foreign markets; (c) it delayed - by at least 6 months - the ~~adjust~~ downward adjustment of imports, thus ^{causing} foreign exchange outflow; (d) it delayed the withdrawal of some marginal cotton lands to other crops. On top of these difficulties came ^{or} capital flight which followed the Cairo riots. As a result of all this Egypt had a record

balance of payment deficit in 1952 (estimated tentatively at £560 million) and was losing during the 18 months preceding Jan. 1953, foreign exchange assets at the rate of average rate of about \$12 million a month. Since the beginning of 1953 States of import restrictions and other foreign exchange measures have stopped this outflow or at least reduced it considerably.

Future prospects for a balance of payments equilibrium are dimmed by three factors:

(a) smaller expenditure of British troops in the Suez Canal zone; (b) decreasing domestic production of petroleum (no prospecting has been carried out for a few years because of the objectionable provisions of the mining law - now ~~has~~ revised);

(c) development projects on whose ^{long term} success the entire ~~economic~~ hope for Egypt's ^{long term} creditworthiness depends have been somewhat delayed by the shift to new concepts (High ^{dam} ~~to~~ instead of Mersa and Wadi Rayan) which require more study - cost estimates of practically all projects have also risen considerably since 1951. All this makes a downward

revision of Egypt's creditworthiness necessary at least ^{initially}. We are convinced that the development program will be as beneficial to the economy as the ~~the~~ ^{the} Eg. Government ~~now~~ ^{new} assumes.

It is easy to foresee that Egypt will not be able to finance the entire foreign exchange component of the ~~the~~ major development program, on which the country's future depends. Grant aid on a large scale may help but cannot be expected to materialize unless political settlement (Suez, M. E. Defense pact) takes place. In the meantime there are some hopes that Germany ^{in German} marks may be willing to grant certain loans ~~on easy~~ terms (and perhaps with lower seniority than ^{order} ~~in order~~ such loans as the Bank may agree to) ^(a) to continue to foster its trade and, especially, ~~supplies~~ obtain development contracts; (b) to offset the political resentment which the German indemnities to Israel have created in the Arab world.

LEBANON. You have ^{now} ~~seen~~, by now, a copy of the Lieflinck report. It seems very likely that the Bank may wish to go ahead in assisting the Lebanese to set up a Development Bank, which assistance will presumably be 80% technical and only for the rest financial. Notwithstanding the merits of this project, it appears, that the most acute problem and the main stumbling block to further economic development

is the hostage of power. This is somewhat paradoxical, considering that the Lebanon is the one country in the area with comparatively large ~~hydro~~ hydroelectric potential (Le château d'eau de Fouke Orient - as the Lebanese like to boast). As you will remember, development in this field was delayed partly by the deadlock between the government and the Compagnie d'Electricité de Beyrouth. This concessionary firm, dating from the days of the mandate, is ^{after} generally ^{of} ~~known~~ ~~to~~ making exorbitant profits and consumers refused to pay until the government decreed new rates. All this, naturally, ~~stopped~~ ~~the~~ ~~company~~ ~~from~~ ~~further~~ ~~investment~~ ~~which~~ ~~aggravated~~ ~~rather~~ ~~the~~ ~~supply~~ ~~position~~. ^{even more.} ~~Our~~ ~~Opinion~~ ~~as~~ ~~to~~ ~~what~~ ~~the~~ ~~Bank~~ ~~would~~ ~~do~~ ~~to~~ ~~help~~, ~~are~~ ~~divided~~. S. Hakim, the Finance Minister, supported my view, that it would be politically impossible for the government to start its cooperation with the (BZ) by guaranteeing a loan to a foreign company which ^{has been} ~~is~~ so severely criticised. The President of the Republic, ~~seems~~, at a certain stage, to be of a different opinion but may have changed his mind since then, as the latest information about the "sequestration" of the company would indicate. Grandchamps, the president of the company, who at a certain time thought that our participation in the financing of a further power plant might protect

his interests, now told us that he wants to get out altogether and in case of further difficulties will fall back on the arbitration clause, which according to a clause in the old concession agreement, is to be decided by a French official. We shall try to return with some documentation on this matter, considering that Messrs Barjon and Hoppinet will presumably intervene with the Management, if they have not done so already.

JORDAN It was somewhat embarrassing to see what great expectations are linked with the country's new membership in the Bank. It seems unlikely, but not altogether out of question that Jordan may at a certain future date obtain an equilibrium in its balance of payments by developing fully its mineral resources (phosphates, manganese and potash), making its agricultural production (Yarmuk scheme) and by making both types of products marketable through improved transport facilities (roads and port of Aqaba or return to Haifa). This development would have to be largely financed on a grant basis (UNRWA, further interest - and presumably also repayment-free loans from the U.K.) While neither UNRWA

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now Point V can be inserted upon as permanent sources of receipts, the British subsidy to the Arab Legion will probably remain during the foreseeable future, and ~~it~~ ^{invisible receipts} may be substantially augmented if, as some people believe, some British troops should be shifted from the Suez zone to Jordan. As the continued existence of Jordan thus depends on further support from the UK it does not seem illogical to consider the possibility of a British underwriting of a loan to Jordan. It may be in the British interest to do so in order to create conditions in which the British Treasury ~~could~~ could eventually stop pouring money in the country for purposes other than the two above mentioned military necessities.

127 Q. The greatest danger to economic development seems to to some from possible ^{further} encroachments of the Government on the field of activity and funds of the Development Board. The latter, in my opinion, definitely makes some progress, although this ~~pro~~ progress, under the very primitive conditions prevailing in the country, is bound to be slow. I have the impression that were it not for the Development Board, the Government would have deviated for development funds for current administrative (or military) expenditure on an even larger scale than it actually did. We were also

informed that some politicians of the old school
 are getting very impatient because the ~~two~~ two (English and
 American) watchdogs on the Board prevent them
 from associating new projects too closely with
 immediate benefits for those individuals.

SYRIA. Dorsey wrote you already about the
 state of different projects. We took advantage of the
 occasion of the President's visit to ask the ~~press~~ direct
 question whether any loan from us was wanted or not.
 The answer was definitely: yes. This made
~~make the ratification create the necessity of it~~
~~necessary to raise~~ ~~raising~~ (the ratification issue). It turned out that
 (Selo and Shishakly)
 as far as the Chiefs of State (are concerned)
 nobody had done so yet, and Minister Diab who
 had promised Dorsey to prepare the program
 has been delaying any action in the hope that
 elections will take place in the near future.
 Both in Syria and in Egypt Mr. Black
 spoke frankly about this problem.

On the ratification issue, therefore, as Dancy had
outlined already, all the cards are on the table,
- "faces upward" you might add, and there
are no jokers in sight to help towards a
short cut solution.

You will be interested to see that two
days after our departure from Syria, Col. Shishakly
~~you~~ declared publicly his intention to have elections
very soon (Clipping "A"). I also attended a
press interview of our old friend Hussain Fahmy
(Clipping "B") trying to encourage foreign
enterprise in Egypt. It may still take some
time until he succeeds but it shows which
way the wind is blowing.

Please accept my best regards for
yourself and Dante and remember me to
Mr. Greg.

Yours sincerely

Feliks Borowski.

Jours - 17 = Black

COPY

Beirut, March 6, 1953

of interesting foreign private capital in it.

I believe Mr. Black has some ideas as to how the creditworthiness hurdle can be bypassed.

Dear Jeff:

I apologize for keeping you so poorly informed regarding our trip but on the one hand, we have been constantly on the go and on the other, I didn't want to seem to anticipate Mr. Black's conclusions. However, I'll try to summarize briefly our progress to date.

Syrian Oil Refinery

The position is still substantially as set forth in my memorandum of January 22 except that no discussions have been going on between IPC and the Government since mid-December. With the Syro-Lebanese economic talks now concluded for the time being, the Syrians are expected to make the next move. What that will be we should know from our Damascus talks, but IPC's guess is at the moment that they will want to discuss much larger transit fees for the pipelines and leave the refinery question temporarily in abeyance.

Egypt

I think Mr. B. was sufficiently impressed with the seriousness of the present regime and the merit of some of the Egyptian projects to ask me and Feliks to return to Cairo to bring up to date our creditworthiness estimate and to get further project information. I might say that if the further geological work continues to yield satisfactory results (a strong German group has been at work for some months) the High Aswan Dam project may prove to be most interesting.

The ratification problem is still with us but thought is being given at ministerial level to some solution thereof.

Lebanon

I enclose a copy of Lieftinck's report on a possible development bank. The Government was told the Bank would study this report and if it came to the conclusion that such an institution should be set up it would be prepared to send someone to assist. You might put such study in motion.

The Litani survey won't be completed much before the end of the year. Beirut Electricity is a thorny problem but there is a chance both the Government and the Company would like the Bank to enter the picture. We shall probably hear more on this subject before leaving the Middle East.

Jordan

Material has been promised us on a number of projects, especially phosphates, and it has been suggested that the Bank might send an expert (after a preliminary examination of such material) to examine the phosphate project and the possibility

- ✓ Syria-oil
- ✓ Egypt - Gen. M p
- ✓ Lebanon - Gen. M p.
- ✓ Jordan - Gen.

Beirut, March 6, 1953

of interesting foreign private capital in it.

I believe Mr. Black has some ideas as to how the creditworthiness hurdle can be by-passed.

To go back to Egypt, if our further talks in Cairo are productive, it has been suggested the Bank might send a representative to sit for several months with the National Production Council to help them on coordination and preparation of projects for Bank consideration.

The above is in brief, the picture at the moment. We hope to get down to brass tacks with the Syrians next week and I will let you know how things go.

The position is still substantially as set forth in my memorandum of January 22. Economic talks now going on between IPC and the Government since mid-December. With the Syro-Lebanese economic talks now concluded for the time being, the Syrians are expected to make the next move. What that will be we should know from our Damascus talks, but my guess is at the moment that they will want to discuss much larger transit fees for the pipelines and leave the refinery question temporarily in abeyance.

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✓X Syria-oil
 ✓X Egypt - Gen. Np
 ✓X Lebanon - Gen. Np
 ✓X Jordan - Gen.

Jours - 17 = Black

(Copy -- from handwritten letter.)

Cairo, March 19, 1953

Iraq Fertiliser Plant

The Iraqis are still open to the suggestion of a jointly-owned plant
Dear Jeff: The stopping off in Baghdad should assist them in weighing the
the conclusions of the study now completed by the British consultants and
perhaps I had meant to write to you from Damascus but there was not a breathing
spell. I'll try to give you a few highlights and Feliks will fill in on some
of the details.

Syrian Oil Refinery

As for our London talks, I have only to add to what I already wrote
and cabled that B. practically told IPC that we would only consider coming
into the picture if asked to do so by the oil companies. (This was pretty
much the position reached last summer with IPC Management if not the in-
dividual companies). B. also told them that if we were pressed for a definite
answer by the Syrians we would consult with IPC before replying.

The position has now changed somewhat in Syria. The Col. told us
that although he had a promise of cheap crude from IPC, he was still ready
to examine the pros and cons of a government refinery. (We got the im-
pression he was more interested in the possibility of a substantial increase
in transit payments). His advisers also are now less adamant on the matter
of a government refinery at this time, partly because it would reduce Syria's
capacity to borrow for other projects but partly because foreign management
for a considerable number of years (which they know we would insist upon)
wouldn't differ greatly from foreign ownership. I believe, therefore, they
are considering turning to IPC to build a refinery in which they would purchase
an interest over a period of years. We gathered from a talk with a V.P. of
Standard of New Jersey that his company would welcome local participation
up to 49%. The Syrians, on the other hand, would like eventual control but
that is probably a question which could be left open for some time.

Egypt - Our eagerness to have the Curry report delivered was based in part
on our promise some time ago to make it available and in part to dissuade
Jordan from trying to go ahead on a small refinery of their own on which
they consider they have attractive offers (including part financing). An
IPC refinery at Homs could be large enough to cover the needs of both
countries with the door left open for gradual stock acquisition by Jordan
as well as Syria.

I might add that I'm pretty sure IPC is not yet aware of these in-
dications of changed thinking in Damascus so please treat the matter with
discretion for the moment.

Youssef Pasha

deFargues hasn't been on the job long enough to reach firm conclusions
but he's tending already to the view that a dam at this site, while capable
of paying for itself through power, wouldn't add much to the area under flow
irrigation, a big increase in which could only be achieved by putting the dam
in Turkey. It seemed advisable to us to suggest his exchanging ideas with the
Devboard in Baghdad when his studies have progressed further.

cc: Messrs. Garner, Iliff, Gregh, Aldewereld

✓ X Egypt - Aswan
✓ X Syria - Latakia
✓ X Syria - Ghaz
✓ X Syria - Roads
✓ X Syria - Youssef Pasha
✓ X Iraq - Wadi
✓ X Iraq - Devboard
Copy in Syria - oil refinery

Cairo, March 19, 1953

Iraq Fertilizer Plant

The Iraqis are still open to the suggestion of a jointly-owned plant and Rembert's stopping off in Baghdad should assist them in weighing the the conclusions of the study now completed by the British consultants and perhaps further the idea of a joint regional operation. I'll try to give you a few highlights and Feliks will fill in on some Wadi-Tharthar's.

Syria We shall soon be hearing from Devboard about further utilization of our loan as Zublin, a German firm, has been awarded the barrage contract. We are likely to be asked for about \$1.5 million and possibly the equivalent of another \$3 million in DMs and Swiss francs if these currencies can't readily be procured against sterling. Latakia

"Kampsax" (1st class Danish firm now supervising Turkish port construction which we are financing in part) have taken on the job formerly held by Gibb after talking with the Yugoslav contractors. Hector will try to see them in Turkey to get their impression of the contractors. If the hurdle of ratification can be overcome, we might still come in on the financing of the port equipment at Latakia if the civil works get off to a good start with the Yugos.

Other Syrian Projects

The Ghab report should be in our hands within a few weeks. The main works - drainage and irrigation - will cost in all about LS 60 million. The Roads Project is still awaiting Cabinet consideration and, I take it from your cable, further comment from Rembert at your end.

Egypt - High Aswan Dam

The German preliminary technical report will be in before the end of March and an international committee will meet to study it early in April (The U.S. members are L.F. Harza and Cleveland Steele - both authorities on rock-filled dams). All borings thus far have been more than encouraging. The project, with its related elements, cost plenty of money but may provide a solution to Egypt's population problem. Feliks and I will bring all the economic, financial and technical data we can gather. I won't say anything about the ratification issue except that all the cards are down at the highest levels and an important decision one way or the other will have to be taken fairly soon.

Hope all goes well with you. Ours has been a very congenial group and healths have stood up well on the whole. I had my first set back on arrival this time in Cairo when my rheumatism made its first reappearance in three years. Best to Daruta and Mr. Gregh.

Yours,
/s/ Dorse

Dear Jeff,

Shall send you a supplementary report, through the same channel, within the next two days.

Best regards,
Yours, /s/ Dorse

Jours-11 = Black

Mr. H. L. Garner

February 18, 1953

A. M. Kamarek

Mr. Black's Discussions with U.K. Treasury

Mr. Black met with Sir Leslie Rowan, Sir Edmund Hall-Patch, Mr. M. Stevenson, and later, Mr. Martin Flett and the Middle Eastern experts of the Treasury, at 3:00 p.m. Monday, February 16. He asked me to report the discussions to you.

✓
1. New Commonwealth Investment Corporation

Mr. Black said that he had met with the directors of the new Commonwealth Investment Corporation at lunch and had discussed with them how the Bank could cooperate with them. Mr. Black suggested that as soon as the general manager is appointed, he should come to Washington to get better informed on how the Bank operates and to discuss possible ways of cooperating. Possibly, the IBRD could do some of the investigatory work for the new corporation. The Bank might help in getting U.S. private capital to come into a project if both the Bank and the new corporation liked it. The Bank might work with the corporation either on a project-by-project basis or by giving a line of credit to the corporation.

Mr. Black then discussed with the Treasury people some of the problems that would arise from Bank cooperation with the corporation; first of all, the Bank has to have the guarantee of a member. One possibility might be a Bank of England guarantee. Sir Leslie Rowan's initial reaction was dubious as the Bank of England might well want the Treasury to back them up in such a case and at present the U.K. Treasury has no authorization for this type of guarantee. The Treasury people thought that the best arrangement would be that the necessary guarantee would be given by the government of the country where the project is located. There might be certain problems in working this out but on initial examination this seems the best way to proceed.

✓
2. Release of 18% to IBRD

Rowan did not think that any of the 18% should be used to help finance the new corporation as it should be able to get whatever sterling it needs from the market. Mr. Stevenson said the Treasury was still thinking about the places that the 18% could be used. They felt that the Colonies should not have the taint of being disbarred.

Mr. Black raised the question of how the Treasury contemplated the 18% could be used. For example, using India for a concrete case, right now the Bank is working on several loans for India. It may be that all these loans will be in dollars and this might exhaust India's dollar creditworthiness. If the Bank should need to pay for sterling goods under any of these loans, should it purchase the sterling with dollars or get release of 18%?

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Invest: corp -
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- 2 -

Rowan said that it was his view that use of the 18% should be governed by the following principles:

- (1) We should try to postpone the exhaustion of the dollar creditworthiness of any country as long as possible.
- (2) Therefore, we want to spread the dollars as far as possible by using pounds as much as possible; not, of course, to purchase dollars but to purchase sterling goods.
- (3) There might be some cases, however, where the IBRD might wish to lend and where part of the disbursements would be for sterling goods but the U.K. would not wish to approve use of the 18% on the project. That is, the IBRD might feel that a project was important for the improvement of the Indian balance of payments but the U.K. might not feel that it was of a sufficient priority for the improvement of the balance of payments of the sterling area as a whole.

Loans for Bombay electric and iron and steel expansion were mentioned as possible examples where the U.K. might not wish to go along. On the steel expansion, it was commented that it was true that now it costs India dollars to import iron and steel but the outlook might be that within a few years steel might be coming out of everybody's ears.

The general conclusion of the discussion was that it was difficult to lay down any general rules this early and that it was essential that the Bank and the U.K. work together closely on loans where the 18% might be used.

3. Brazil

Rowan said that Brazil has 150 million of commercial debt arrears to the U.K. The U.K. has been thinking how to handle the Brazil problem and have concluded that the best thing would be to have tripartite talks - the U.S., the U.K. and Brazil. Part of the idea would be that Brazil should draw dollars and sterling from the I.M.F. and that the Export-Import Bank would make a loan. He then asked whether the Bank had strong objections on bringing the Export-Import Bank in.

Mr. Black gave a brief summary of the Bank's discussions with Brazil on the subject and said that the position the Bank is taking is: it has no objection to the Ex-Im Bank coming in on a loan for this purpose so long as it is repaid within three years. If the term is this short, it will have no influence on our lending to Brazil. If it takes longer than this, then the Bank will have to review its position vis-a-vis Brazil afresh.

4. Turkey

Rowan said that the Turks had not made any serious attempt to negotiate on their debt. They had made a derisory offer of £2½ million. This cannot be taken seriously. Talks were held with the Turkish Prime Minister in London. He said that there would be a reexamination of the matter but no new offer has come forth. Mr. Black said that the Turks had promised the Bank that they would negotiate seriously and the Bank will make no new loans to them until we are satisfied on this point. He also mentioned to the Treasury the difficulties connected with the Turkish approach to the Export-Import Bank.

5. Peru

Rowan said they were trying to get a Peruvian mission to come to London to negotiate. Black said that the position of the Bank is clear that there will be no loan until the Peruvians do settle with the British bondholders. He went on to say that he thought it probably was going to be hard to get the Peruvian Congress to agree unless the British give a little but it is up to the British as to what they want to do. The Bank people are in Peru looking at projects but there will be no loans until a settlement is reached.

6. Ecuador

Rowan said that on Ecuador he understood the Bank was neutral but interested and he hoped that the Bank would maintain that attitude. Mr. Black said the Bank had passed on Sir Otto Hemeny's proposal to Ecuador and had said at the time to the Ecuadoran representative that it was fair to Ecuador. The Bank also told Ecuador that we would send no one to look at any project before they start debt negotiations.

7. Middle East

The U.K. Treasury people had a very rapid run-over with Mr. Black on the situation in the Middle Eastern countries. The one point that stood out was that "the U.K. has no interest in seeing Egypt go bust economically." If something is not done quickly for Egypt, there will be a real bust. Mr. Black said he appreciated this point of view but that the Bank had to be sure that a loan to Egypt would be a good loan.

8. Mission to U.K. of Kamarck

Rowan said that he wanted Mr. Black to know how much the Treasury appreciated the work that Kamarck had done with them in the past week. He understood from Stevenson that there had been a real meeting of minds.

ANKamarck/vha

MR. BLACK'S TRIP TO THE MIDDLE EAST - 1953

Four-17/2

Leave: New York	Fri. Feb. 13	6:00pm	
Arrive: Beirut	Sun. Mar. 15		St. Georges
Leave: Beirut	Mon. Mar. 16	8:00am	
Arrive: London	Sat. Feb. 14	10:55am	Claridge's
Leave: London	Wed. Feb. 18	8:00am	
Arrive: Cairo	Mon. Mar. 16	10:15am	Semiramis
Leave: Cairo <i>Li Masha 17</i>	Tues. Mar. 17	7:30am	
Arrive: Cairo	Wed. Feb. 18	8:50pm	Semiramis
Leave: Cairo	Fri. Feb. 20	8:00pm	
Arrive: Addis Ababa	Tues. Mar. 17	5:10pm	Ras
Leave: Addis Ababa	Sat. Mar. 21	11:30am	<i>State</i> <i>Empire</i>
Arrive: Luxor	Sat. Feb. 21	7:00am	Winter Palace
Leave: Luxor	Sun. Feb. 22	7:10am	
Arrive: Cairo	Sat. Mar. 21	7:05pm	Semiramis
Leave: Cairo	Mon. Mar. 23	8:00am	
Arrive: Aswan	Sun. Feb. 22	10:55am	
Leave: Aswan	Sun. Feb. 22	5:28pm	
Arrive: Istanbul <i>ankara</i>	Mon. Mar. 23	3:50pm	Ankara Palas and
Leave: Istanbul <i>ankara</i>	Mon. Mar. 30	9:40am	Parc (Parc only on
Arrive: Cairo <i>on Sunday Feb 24</i>	Mon. Feb. 23	11:20am	Semiramis and 29th
Leave: Cairo	Tues. Feb. 24	9:00 am	
Arrive: Paris	Mon. Mar. 30	7:40pm	Bristol
Leave: Paris	Tues. Mar. 31		
Arrive: Beirut <i>Feb. 24</i>	Tues. Feb. 24	11:05am	St. Georges
Leave: Beirut	Sat. Feb. 28		
Arrive: Chorboung	Wed. Apr. 1		"Queen Elizabeth"
Arrive: Damascus <i>Feb. 28</i>	Sat. Feb. 28		New Omayad
Leave: Damascus	Sun. Mar. 1		
Arrive: New York	Mon. Apr. 6		
Arrive: Amman	Sun. Mar. 1		Philadelphia
Leave: Amman	Tues. Mar. 3		
Arrive: Jerusalem	Tues. Mar. 3		National
Leave: Jerusalem	Wed. Mar. 4	4:15pm	
<i>Stephens and Bochenski Terminate here</i>			
<i>Alternative - March 16th, Leave Damascus 3:35pm Arrive Cairo 6:00pm</i>			
Arrive: Beirut <i>here</i>	Wed. Mar. 4	5:30pm	St. Georges
Leave: Beirut <i>and Miss Roberts</i>	Thurs. Mar. 5	9:15am	<i>to Istanbul - March 25th</i>
<i>Mrs. Black and Miss Roberts Leave Istanbul March 28th 10:55am, Arrive Paris 7:50pm</i>			
Arrive: Kuwait	Thurs. Mar. 5	3:20pm	Private Accomodation
Leave: Kuwait	Sun. Mar. 8	3:20pm	
<i>Will be returning to NY on Queen Elizabeth with Black Party</i>			
Arrive: Baghdad <i>March 9</i>	Sun. Mar. 8	6:30pm	Semiramis
Leave: Baghdad <i>March</i>	Wed. Mar. 11	3:00pm	<i>Regent Palace</i>
Arrive: Damascus <i>ar. D. ankara</i>	Wed. Mar. 11	4:40pm	New Omayad
Leave: Damascus	Sun. Mar. 15		

Mr. Black's Itinerary - continued EAST - 1953

Arrive: Beirut	Fri. Feb. 13	6:00pm	St. Georges
Leave: Beirut	Sun. Mar. 15		
	Mon. Mar. 16	8:00am	Claridge's
	Sat. Feb. 14	10:55am	
Arrive: Cairo	Wed. Feb. 18	8:00am	Semiramis
Leave: Cairo <i>Li March 17</i>	Mon. Mar. 16	10:15am	Semiramis
	Tues. Mar. 17	7:30am	
Arrive: Addis Ababa	Wed. Feb. 18	8:50pm	Ras
Leave: Addis Ababa	Fri. Feb. 20	8:00pm	<i>State Bank Ethiopia</i>
	Tues. Mar. 17	5:10pm	Winter Palace
Arrive: Luxor	Sat. Mar. 21	11:30am	
Leave: Luxor	Sat. Feb. 21	7:00am	
Arrive: Cairo	Sun. Feb. 22	7:10am	
Leave: Cairo	Sat. Mar. 21	7:05pm	Semiramis
Arrive: Aswan	Mon. Mar. 23	8:00am	
Leave: Aswan	Sun. Feb. 22	10:55am	
** Arrive: Istanbul <i>Ankara</i>	Sun. Feb. 22	5:28pm	Ankara Palas and
*** Leave: Istanbul <i>Ankara</i>	Mon. Mar. 23	3:50pm	Parc (Parc only on
	Mon. Mar. 30	9:40am	Semir: 28th and 29th)
Arrive: Paris	Mon. Feb. 23	11:20am	
Leave: Paris	Tues. Mar. 30	7:40pm	Bristol
Arrive: Beirut <i>Feb. 24</i>	Tues. Mar. 31		
Leave: Beirut	Tues. Feb. 24	11:05am	St. Georges
Arrive: Cherbourg	Sat. Feb. 28		"Queen Elizabeth"
	Wed. Apr. 1		
Arrive: Damascus <i>Feb. 28</i>	Sat. Feb. 28		New Onayad
Leave: Damascus	Sun. Mar. 1		
Arrive: New York	Mon. Apr. 6		
Arrive: Amman	Sun. Mar. 1		Philadelphia
Leave: Amman	Tues. Mar. 3		
Arrive: Jerusalem	Tues. Mar. 3		National
Leave: Jerusalem	Wed. Mar. 4	4:15pm	
<p>Stephens and Bochenski Terminate here</p> <p>Alternative - March 16th, Leave Damascus 3:35pm Arrive Cairo 6:00pm</p> <p>* Diamond joins here</p> <p>** Mrs. Black and Miss Roberts take overnight train to Istanbul - March 25th</p> <p>*** Mrs. Black and Miss Roberts Leave Istanbul March 28th 10:55am, Arrive Paris 7:50pm</p>			
Arrive: Kuwait	Thurs. Mar. 5	3:20pm	Private Accomodation
Leave: Kuwait	Thurs. Mar. 5	3:20pm	
<p>Planning to have Stephens-Bochenski return Cairo March Sixteen and stay ten days</p> <p>Will be returning to NY on Queen Elizabeth with Black Party</p>			
Arrive: Baghdad <i>March 9</i>	Sun. Mar. 8	6:30pm	Semiramis
Leave: Baghdad	Wed. Mar. 11	3:00pm	<i>Royal Palace</i>
Arrive: Damascus <i>Ar. D. Ankara</i>	Wed. Mar. 11	4:40pm	New Onayad
Leave: Damascus	Sun. Mar. 15		

Tours - 17² Black

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FOR THE PRESS

FOR IMMEDIATE RELEASE

Press Release No. 319

February 12, 1953

Eugene R. Black, President of the International Bank for Reconstruction and Development, will leave New York tomorrow, February 13, on a seven-week journey which will take him to Egypt, Lebanon, Jordan, Iraq, Syria, Ethiopia and Turkey, in that order. En route, he will spend a few days in London.

Mr. Black is taking this trip to acquaint himself at first hand with problems of economic development in some of the Bank's member nations. He will discuss these problems with officials and other persons concerned, and will visit some of the development projects being carried out in the countries he is visiting. Mr. Black paid similar visits to some of the Bank's member countries in Latin America in 1951, and in 1952 visited Pakistan, India, Ceylon, Thailand and Australia.

Hector Prud'homme of the Bank's staff, will accompany Mr. Black throughout his journey. Dorsey Stephens and Feliks Bochenski, also of the Bank's staff, will join Mr. Black on his visits to Egypt, Lebanon, Jordan, Iraq and Syria; and William Diamond will be with him in Ethiopia and Turkey.

Mr. Black will arrive in Cairo, Egypt, by air on February 18. He will begin the return trip to Washington by air from Istanbul, Turkey, on March 30, and will sail for New York from Cherbourg on April 1.

Jours-11: Black

C O P Y

Ankara , November 20 , 1952

The Honorable
Eugene R. Black
President
International Bank for
Reconstruction and Development
1818 H Street , N.W.
Washington , D.C.
U. S. A.

Dear Mr. Black :

Since I took over the Government I had the pleasure of meeting on various occasions several executives of your Bank and especially Messrs. Garner , Ellieff and Lieftinck , and of corresponding with you .

During all these contacts I was deeply impressed by observing the genuine feeling expressed by your Bank towards Turkey .

The close relations between the Bank and the Turkish Government have been very fruitful so far and I am sure that the credits obtained from your Bank will make important contribution in the near future towards economic development of Turkey . I must really thank you again for your support at the time of extension of these credits . I am of the opinion that people of good will should maintain close cooperation for the realization of principles for securing the well being and prosperity of all nations and for raising their standard of living in the free world jointly set up by the free nations . Therefore , I shall be very pleased to see you in Ankara and have the opportunity of discussing problems of mutual interest .

I leave it to you to choose the most convenient date (excluding March) of your visit to Ankara as a guest of our Government . I shall be very happy if this visit takes place as soon as possible .

Hoping to hear from you at your earlier convenience ,
I remain

Sincerely yours ,

Adnan Menderes
Prime Minister

Jours 1/2 Black
1948

PRESIDENT'S VISIT TO MEXICO

Summary Diary of Visit *Jan 28 - Feb. 7, 1950*

Saturday, January 28

Arrived Mexico City 7:30 p.m.; welcomed by Messrs. Carrillo Flores (Nacional Financiera), Maryssael and Bernier (Mexlight), Paez (Comision Federal de Electricidad) and also by Messrs. Rembert and Grauman of the Bank's engineering staff, who had preceded Mr. Black by a week in order to study the status of the CFE construction program.

Sunday, January 29

(a) Visit to Teotihuacan Pyramids with Messrs. Bernier and Martinez of Mexlight.

(b) Entertained to lunch at Country Club by Mr. Bernier.

Monday, January 30

(a) Formal call on President Aleman, accompanied by Messrs. Beteta (Secretary of Finance) and Carrillo; exchange of courtesies, in the course of which President Aleman spoke of the growing pains natural to a rapidly developing country such as Mexico, and Mr. Black commended the way in which the Mexican Government was handling its problems.

(b) Conference with Messrs. Beteta and Carrillo on subject of local currency financing of CFE project (see Appendix A).

(c) Entertained by Mexlight to lunch at Bankers' Club. Messrs. Maryssael, Thurston (U.S. Ambassador), Beteta, Carrillo, Bernier, Martinez Baez (Secretary of Economy), Sanchez Cuen (Undersecretary of Economy), Carlos Novoa (President, Banco de Mexico), Richardson (National City Bank), Luis Legoretta (Banco Nacional), and other prominent financial figures were present. Mr. Black, replying to a speech of welcome by Mr. Maryssael, gave a brief account of the activities of the Bank, and then replied to questions.

(d) Discussion with Mr. Carlos Novoa (President of Banco de Mexico (see Appendix B), on:

- (i) proposed issue of savings bonds;
- (ii) listing of IBERD bonds in Mexico;
- (iii) telephone development project.

(e) Dinner given by Mr. Beteta at Hotel del Prado, attended by various Ministers, and officials of the Banco de Mexico.

Tuesday, January 31

Visit to CFE projects in Ixtapantongo area, including Valle de Bravo dam, San Bartolo, Ixtapantongo and El Durazno plants; night spent at San Jose Malacatepec Hotel. Party accompanied by Messrs. Paez, Sanchez Cuen, Bustamente and others.

Wednesday, February 1

(a) Visited El Bosque dam; then returned to Mexico City.

(b) Entertained to lunch by Nacional Financiera; Messrs. Carrillo, Beteta, Novoa, Paez and other prominent Bank and Government figures present.

(c) Conference with Messrs. Beteta, Carrillo, Paez, Novoa, Martinez Baez and Cuen (see Appendix C), covering:

- (i) local currency for CFE;
- (ii) proposed substitutions in CFE project;
- (iii) Bank's views on creditworthiness of Mexico;
- (iv) Bank's attitude to private and public enterprises.

(d) Reception and dinner given by Mr. and Mrs. Carrillo Flores at the Jockey Club.

Thursday, February 2

Visit to Necaxa to inspect Mexlight hydroelectric works, conducted by

Messrs. Maryssael, Bernier, Genachte and Martinez. Spent night at Necaxa; Messrs. Maryssael and Genachte described Mexlight's financial difficulties (see Appendix D).

Friday, February 3

- (a) Returned from Necaxa to Mexico City.
- (b) Mr. Black lunched with representatives of the motion picture industry.
- (c) Messrs. Rembert, Grauman and Davies visited CFE and discussed resumption of progress on Chihuahua and Sonora projects in light of increased financing made available by Mr. Beteta.

Saturday, February 4

- (a) Mr. Black flew to Acapulco in Mr. Beteta's plane.
- (b) Messrs. Rembert, Grauman and Davies visited Mexlight and discussed problem of Industria Electrica purchases and tariffs with Messrs. Maryssael, De Busco and Nikiforoff (see Appendix E).

Sunday, February 5

Messrs. Rembert, Grauman and Davies joined Mr. Black in Acapulco. Guests at Mr. Beteta's house party included Messrs. Carrillo Flores, Paez, Mansera (Undersecretary of Finance) and Bustamente (ex-Undersecretary of Finance).

Tuesday, February 7

- (a) Party returned by air to Mexico City from Acapulco.
- (b) Visit to factory of Industria Electrica, conducted by Messrs. White (President), Legoretta and others.
- (c) Party entertained by President of Banco de Mexico (Mr. Carlos Novoa) at luncheon inaugurating Banco's new dining room. Messrs. Beteta, Carrillo, Cuen, Rodriguez Gomez (Deputy President of Banco de Mexico), Legoretta and others

were present. Mr. Beteta spoke of the disrepute into which international lending had fallen in Mexico in the past as a result of the unsatisfactory purposes for which loans were made. He contrasted the present Government's policy of borrowing only for self-liquidating productive purposes, as typified by its IBRD loans. Mr. Black, in reply, expressed his appreciation of his reception in Mexico, and endorsed Mr. Beteta's references to productive loans. Before this lunch there was some discussion of the possibility of Mexico's releasing part of its 18% subscription for lending (see Appendix F).

(d) Mr. Black held press conference.

(e) Mr. Black called on Mr. Walter Thurston, U. S. Ambassador.

(f) Mr. Black and party left by air for Washington. Messrs. Rembert and Grauman remained to work out details of CFE construction program in the light of the new peso financing.

LOCAL CURRENCY FINANCING OF CFE PROJECT

1. On the morning of January 30, Mr. Black, accompanied by Messrs. Rembert, Grauman and Davies, visited the Secretary of Finance, Mr. Ramon Beteta, at the Ministry of Finance and discussed with him and Mr. Carrillo Flores, Director General of Nacional Financiera, the problem of the local currency financing of the CFE project.
2. Mr. Black said that the present appropriation of 100 million pesos was insufficient to allow projects financed by the Bank to go forward on schedule as long as priority was given to the river diversions in the Miguel Aleman system, which would require about half of the appropriation. As a consequence, equipment bought with dollars provided by the Bank was likely to remain unused for a considerable time, notably in the Guaymas and Chihuahua areas, a situation embarrassing to the Bank and expensive to CFE in interest charges. Consequently, said Mr. Black, it seemed desirable that the CFE should be provided with a further 50 million pesos, and he asked Mr. Beteta whether it was possible to provide this sum.
3. Mr. Beteta said that it was quite impossible to provide any further appropriation from budget resources. He recalled that his original plan had been to provide 50 million pesos, and that in raising this figure to 100 million he had gone to the limit of what was politically possible. As for the allocation of that sum among the different projects of CFE, this was not so much his responsibility as that of the Ministry of Economy and CFE.
4. The possibility of providing additional pesos from additional borrowings by the Government was then discussed. Mr. Carrillo Flores believed that it might be possible later in the year, if bank deposits kept on rising, for Financiera to float a bond issue of perhaps 20 or 30 million pesos which would be used for CFE. He said that the Government was also planning an issue of savings bonds, which would not be redeemable with the same facility as present

Government bonds. This would be a new experiment for Mexico, and they did not know at present what success it might have. Mr. Black then inquired whether the Bank could assist by floating a peso bond issue of its own in Mexico. This suggestion was discussed at some length. Messrs. Beteta and Carrillo said the problem would arise whether such bonds should receive the same support as Government bonds, which the Bank of Mexico was at present obliged to redeem at sight at 99-1/2. Lack of such support might be embarrassing to the IBRD and might adversely affect the standing of the bonds while, if they were given such support, they would become competitive with Government bonds in the eyes of banks and insurance companies, and their issue would present the same inflationary potentialities.

5. Mr. Black said that, assuming IBRD intervention to be desirable, it would be better for it to take the form of a direct issue of IBRD peso bonds, rather than that of an IBRD guarantee of Mexican Government bonds, which would be embarrassing to the Government.

6. Mr. Carrillo returned to the suggestion he had made in Washington in December, i.e. that the Bank might lend part of the Mexican 18% capital subscription to Mexico. Mr. Black pointed out, and Mr. Beteta agreed, that this would be inflationary. Mr. Black also said that the Bank could not provide dollars to finance peso expenditures.

7. In the course of further discussion, Mr. Beteta expressed surprise when it was pointed out that, of the 100 million peso appropriation, 20 million pesos would go, not directly to construction, but to defray the general deficit of CFE in respect of overheads and debt service. He said that he had not previously been aware of this. After examining CFE budget figures, which included 33 million pesos for the service of dollar obligations, Mr. Beteta said that he saw no reason why he should not issue peso bonds to finance this dollar debt service, since an issue for this purpose would have no inflationary effect. The

Bank representatives agreed that, if this could be done and if, as Messrs. Paez and Carrillo had suggested, the Sonora project could be financed by a local bond issue in that state, the CFE problem would be almost completely solved.

8. It was agreed that Messrs. Beteta and Carrillo should go further into this new possibility and that a further meeting with Bank representatives should be held on Friday afternoon, February the 3rd. (See Appendix C).

INTERVIEW WITH PRESIDENT OF BANCO DE MEXICO

1. Messrs. Black, Rembert and Davies interviewed Dr. Carlos Novoa, President of the Banco de Mexico, on January 30, 1950.
2. Dr. Novoa said that he was charged with making arrangements for the savings bond issue which was to be made for the first time in Mexican history. An issue of 50 million pesos was contemplated, and the proceeds would provide the additional sum which Mr. Beteta had promised to bring CFE's appropriation up to 100 million pesos. A 50 peso bond would be redeemable after ten years for 100 pesos, i.e. it would carry an interest rate of 7.17%. Redemption before the due date would be at rates calculated to discourage such redemption. Mr. Black expressed interest in this plan and said that he thought he could, if Dr. Novoa so desired, arrange for a U.S. expert to come to Mexico to advise on the issue. Dr. Novoa said that he gladly accepted Mr. Black's offer.
3. Mr. Black thanked Dr. Novoa for his services in connection with the listing of IBRD bonds in Mexico, and asked what should be done to encourage investment in them. Dr. Novoa said that there were two principal life insurance companies in Mexico, which normally held dollar assets of about \$4 million. He invited Mr. Black to lunch on Monday, February 6, when, he said, he would introduce him to representatives of these companies.
4. Dr. Novoa then referred to the telephone situation in Mexico. There were two principal companies, one (Mexican Telephone and Telegraph Company) a subsidiary of I.T.T., and the other (Telefonos Mexicanos) controlled by the Swedish Ericsson interests. Although the systems of these two companies had recently been interconnected, there was still inefficiency arising from the dual control, which he illustrated by pointing to the six telephones he required on his own desk. He said that a merger was planned, as a result of which all telephones would be controlled by a single corporation in which I.T.T. would hold 40%, Ericsson's 40%, and private Mexican interests, including Mr. Wenner-Gren, the

remaining 20%. Dr. Novoa inquired whether the Bank would be interested in a loan of about \$10 million to finance further development by the new corporation. Mr. Black said that such a project did not appear at first sight to have high productivity or priority. Dr. Novoa replied that telephone communications with the U.S. were an important source of dollar income, which could be expanded and, in reply to a request by Mr. Black, promised to supply further details of these dollar earnings.

Note: In December 1948, Telefonos Mexicanos submitted to the Bank a preliminary application for a loan of \$25 million. They were told that the Bank was unlikely to be able to consider such an application during the next year or two. This decision was based on the view that additional loans should not be granted to Mexico unless the project earned or saved enough foreign exchange to cover the service of the loan.

CONVERSATION WITH MR. BETETA AND OTHER GOVERNMENT OFFICIALS

1. On Wednesday, February 2, Messrs. Black, Rembert, Grauman, and Davies had a discussion with Messrs. Beteta, Carrillo Flores, Martinez Baez, Cuen, Novoa and Paez at the Nacional Financiera office.
2. Mr. Beteta said that he had discussed the subject of CFE peso financing with President Aleman and that, as a result of this conversation, he was able to confirm the intention he had expressed at Monday's meeting with Mr. Black. He would provide CFE with an additional 53 million pesos, less any peso financing which CFE could obtain for the Sonora project from other sources. Of this sum, up to 36 million pesos could be borrowed without inflationary effects, since the proceeds would go to service CFE's dollar obligations. Any further borrowing would be inflationary, but nevertheless he was prepared to do it if necessary.
3. Mr. Paez said that he hoped to obtain from the Chemical Bank of New York a loan of about \$2 million, for a period of two or three years, to finance the peso requirements of the Sonora project. The loan would be guaranteed not only by Nacional Financiera, but also by local interests in the Sonora area, which would also pay part of the interest on the loan. Mr. Paez said that the loan would be repaid from CFE's 1952 budgetary appropriation. Mr. Black said that he thought this local participation an attractive feature of the plan. Under the terms of the Loan Agreements, the Bank's permission would be required if CFE were the borrower, while if Financiera were the borrower, the funds being made available to CFE as an appropriation, the Bank would have to be consulted.
4. Mr. Paez said that Mr. Marshall Walker of the Chemical Bank would arrive in Mexico on February 8 to discuss this loan. CFE had previously hoped to raise a loan from the Valley Bank of Phoenix, Arizona, but it turned out that this bank could only provide about \$250,000. He also mentioned the Bank of America as a possible alternative source of financing.

5. Mr. Paez went on to say that during the next year he would not be able to use all the IBRD loan funds available. He had in mind, however, two new projects for which he could obtain peso financing from local interests, and which could therefore be quickly begun:

- (a) the installation of three 5,000 kilowatt diesel plants at Carmen, Campeche;
- (b) the installation of a 5,000 kilowatt steam "package" plant at Acapulco.

These projects involved about \$1,500,000 in foreign exchange and he sought the Bank's permission to use loan funds to finance them for the time being. It might be possible later to finance them from other sources and to switch the loan funds back to their original purpose. Mr. Black said that such a temporary diversion of funds would not be acceptable to the Bank, and that Mr. Paez should apply either for an additional loan or for the new projects to be substituted in the existing program. It would be better at present to ask for substitution, rather than additional loan. Mr. Paez said that he would take up this question of substitution with Dr. Rembert.

6. Mr. Carrillo Flores then inquired whether the Bank would be interested in providing a loan of about \$3.75 million, for a term of four to five years, to finance the purchase of three DC6's, to be used on the California route, for CMA, a Mexican airline. Mr. Black said that, while he could not immediately give a decision, he was doubtful whether such a project would have high priority in relation to Mexico's needs.

7. Mr. Carrillo Flores inquired about the Bank's attitude towards further financing in Mexico. He understood that the Bank had informed the Bank of America that it thought Mexico's external debt so high that additions to it could not be justified. The Bank representatives said that the Bank's view when the electric power loans were made was, not that Mexico should incur no further external debt, but that it would be wise to confine additions to purposes which

earned or saved foreign exchange. Moreover, the Bank's present view would not necessarily be the same as a year ago.

8. Mr. Carlos Novoa recalled that, in this connection, the last general survey of the Mexican economy by the Bank was made in July 1948. He asked whether the Bank, in view of changes in the situation since 1948, could now undertake a fresh study. Mr. Black said that he thought that such a study was desirable and possible.

9. Mr. Carrillo Flores said that an impression was current that the Bank preferred to lend to government agencies rather than private enterprises. Mr. Black said that, on the contrary, the Bank was anxious to lend to private enterprise, and that a primary reason why it did not lend more in this direction was that governments preferred, in their dealings with the Bank to give priority to their own agencies.

FINANCIAL POSITION OF MEXLIGHT

1. During the visit of Mr. Black and party on February 3 to Mexlight installations at Necaxa, Mr. Maryssael, President of Mexlight, took the opportunity of outlining the current financial situation of the Company.
2. Mr. Maryssael said that, as a result of the drought and the delay in obtaining new electric power rates, 1949 had been the worst year ever experienced by the Company. The first half of 1950 would also be bad since:
 - (a) The increased rates granted in December would not be reflected in collections until the present month;
 - (b) Sales would be reduced by restrictions on the use of current brought into force on January 19, whereby domestic and commercial users would be restricted to 40% and industrial users to 15% of their normal consumption. These restrictions would be difficult to enforce strictly, particularly on the former class, but a reduction of sales of the order of 25% was likely;
 - (c) They would have to use their thermal plants more intensively, with consequent higher costs;
 - (d) They would have to supplement their power output by obtaining power from various diesel plants brought in by CFE to meet the emergency, including a mobile railroad plant hired from the U.S. Navy. Power from these sources would be expensive.
3. They were preparing revised cash and earnings estimates to take account of these factors. A provisional cash estimate had shown that, assuming construction to be carried out as hitherto planned, there would be a cash deficit of 18 million pesos at the low point of 1950, which would be reached about July or August. They had therefore planned cutbacks in their peso construction expenditures, including those required for the Bank program. These cutbacks would

reduce the cash deficit at the low point to 2 million pesos. After July, assuming a normal rainy season, conditions should improve, and they should finish the year with about 5 million pesos cash in hand.

4. Mr. Maryssael suggested that this serious cash situation could be eased if the Bank would agree that engineering and purchasing fees already due to Sofina in connection with the Bank program, and at present amounting to \$449,000, could be reimbursed out of Bank loan proceeds. Although it had not hitherto been planned to bring the Sofina fees within the loan, such a course would be quite in line with normal practice.

5. The Bank representatives drew attention to the fact that, by postponing work on the Bank-financed program, heavy and unnecessary commitment charges would be incurred if the long-term loan were granted as at present planned. Mr. Maryssael, however, strongly resisted suggestions that the long-term loan should initially be granted in a sum of less than \$26 million, or that part of it should be blocked, on the grounds that such a course would be gravely embarrassing to Mexlight in view of the statements about the long-term loan made in the Plan of Reorganization.

6. Mr. Maryssael said that the revised cash and earnings forecast would be sent to the Bank within a few days.

Note: On a subsequent occasion, Mr. Paez said that the contract governing sales of power by CFE to Mexlight had expired in December 1948, and while Mexlight had subsequently made payments at the same rate as before, such payments were to be regarded as payments on account pending the negotiation of a fresh contract, which would be retrospective in effect to December 1948. Mr. Paez thought that CFE was entitled to a price for power substantially higher than under the old contract. Mexlight would, however, he said, be entitled to an automatic compensatory rate adjustment. Dr. Rembert is taking up this question with Mr. Maryssael, since an obligation to make supplementary payments for the period from December 1948, although they would ultimately be recoupable from increased rates, appears to be a further threat to the cash position in the immediate future.

MEXLIGHT PURCHASES FROM INDUSTRIA ELECTRICA

1. On February 4, Messrs. Rembert, Grauman and Davies discussed with Messrs. Maryssael, De Busco and Nikiforoff of Mexlight, the situation as regards purchases to be made by Mexlight of Industria Electrica.
2. Mr. Maryssael said that, of the electrical equipment needed to carry out the Bank long-term loan project, about \$3 million worth could be reasonably bought from Industria Electrica. Mexlight would therefore request the Bank to allow these purchases to be financed out of the proceeds of the loan, a course which had been previously followed with respect to \$300,000 of the short-term loan.
3. Mr. Maryssael went on to say that the position was, however, complicated by the fact that I.E., which was substantially controlled by Nacional Financiera and the Banco Nacional, was pressing the Government for a serious increase in tariffs on electrical equipment imported into Mexico which might compete with that produced by I.E. The present tariff consisted of a moderate specific duty per kilogram of each type of equipment, plus a 5% ad valorem duty, I.E. had proposed that the 5% ad valorem duty be increased to 50%. If this proposal became law, Mexlight would be forced to make much more extensive purchases from I.E. than normal considerations of price and quality would dictate.
4. The Bank representatives said that the Bank would certainly not wish to finance purchases from I.E. unless they were competitive in price and quality with what could be bought elsewhere. The concession previously granted by the Bank in this respect, which involved a departure from its normal practice of financing imported goods only, had been made on such an understanding. The Bank would also be likely to insist that goods imported under the loan should be duty free.
5. Mr. Maryssael said that American and Foreign Power might encounter a similar problem on their Eximbank loan. He would be meeting A.F.P.'s representa-

tives on February 6 at a Chamber of Electricity meeting, and asked whether he could mention what had been said about the probable attitude of IBRD. The Bank representatives said that this was undesirable, and that he should simply say that Mexlight was taking up the matter with IBRD, and advise AFP to do likewise with Eximbank.

Note: When the question of tariffs was subsequently raised with Mr. Paez,
#1 he said that he had already warned Nacional Financiera and Industria Electrica that the Bank was unlikely to finance purchases from I.E. which were not justifiable on a normal competitive basis.

Note: Industria Electrica Mexicana is a Mexican corporation which manufactures
#2 a wide variety of lighter electrical equipment under license from Westinghouse. About 64% of its stock is held in Mexico, largely, it is believed, by Nacional Financiera and the Banco Nacional (a private bank to be distinguished from the Banco de Mexico). Although its factory is large and well equipped and apparently efficiently operated, I.E. has so far been financially disappointing to its promoters. According to Mr. Legoretta, President of the Banco Nacional, its working capital requirements were originally estimated at 15 million pesos, whereas experience had proved that 45 million pesos would have been more appropriate. As a consequence, heavy bank indebtedness had been incurred.

USE OF MEXICAN 18% CAPITAL SUBSCRIPTION

1. In the course of informal conversation before Mr. Novoa's luncheon on February 7, Mr. Black took up with Messrs. Beteta, Carrillo Flores, and Rodriguez Gomez the question whether Mexico would be willing to allow part of its 18% peso subscription to the Bank to be used for making loans. Mr. Carrillo Flores tentatively suggested that they might see their way to allow the equivalent of \$1 million to be used for this purpose. Mr. Rodriguez Gomez suggested that \$2 million be made available. Mr. Beteta offered no objection. The purchase of electrical equipment by neighboring Latin American countries from Industria Electrica was thought to be one of the most likely ways in which such funds could be spent.

*Mr. de Fleunin
1948*

LISTA DE LAS PERSONAS QUE ASISTIERON AL COCKTAIL QUE SE OFRECIO EN
HONOR DEL SENOR LEONARD B. RIST EL 23 DE AGOSTO DEL PRESENTE AÑO, EN EL
CLUB DE BANQUEROS DE MEXICO

- Sr. Lic. Dn. Ramon BETETA, Secretario de Hacienda y Credito Publico
- Sr. Lic. Dn. Eduardo BUSTAMANTE, Subsecretario de Hacienda y Credito Publico
- Sr. Dr. Josae Saenz, Director de Credito de la Secretaria de Hda y Credito Pub.
- Sr. Lic. Gilberto LOYO, Director General de Estadistica - Balderas # 71
- Sr. Senador Antonion J. BERNUDEZ, Director General de Petroleos Mexicanos
Av. Juarez #92
- Sr. Lic. Manuel R. PALACIOS, Gerente de los Ferrocarriles Nacionales de
Mexico- Bolivar #19
- Sr. Ing. Alejandro Paez Urquidi - Vocal Ejecutivo de la Comision Federal de
Electricidad - Humboldt #30, tercer piso
- Sr. Lic. Carlos Novoa, Director General del Banco de Mexico, Av. Cinco de
Mayo #2.
- Sr. Rodriga Gomez, Subdirector del Banco de Mexico - Av. Cinco de Mayo #2
- Sr. Ernesto Espinosa Porset, Subdirector del Banco de Mexico, Av. Cinco de
Mayo #2.
- Sr. Ing. Agustin Luna Olmedo, Jefe del Depto. de Estudios Economicos del
Banco de Mexico
- Sr. Lic. Felix Chaires, Dpto de Estudios Economicos del Banco de Mexico
- Sr. Roberto Lopez, Directo del Banco Nacional ~~Exterior~~ de Comercio
Exterior, Gante #15
- Sr. Adolfo Zamora, Director del Banco Nacional Hipotecario Urbano y de Obras
Publicas - Av. Madero #32
- Sr. Lic. Rodrigo Vazquez Mendoza, Director del Banco Nacional del Ejercito y la
Armada - Ejido #30
- Sr. Anibal de Iturbide, Presidente de la Asociacion de Banqueros de Mexico
V. Carranza #42
- Sr. Guillermo Guajardo Davis, Presidente de la Confederacion de Camaras
Industriales de los Estados Unidos Mexicanos -
Naranja #284
- Sr. Eustaquio Escandon, Presidente de la Confederacion de Camaras Nacionales
de Comercio de los Estados Unidos Mexicanos - S. Juan
de Lateran #11, 5o piso
- Sr. Ing. Manuel Leon Ortega, Presidente de la Camara Nacional de Comercio e
Industria de la ciudad de Mexico - Av. Uruguay #58

Sr. Lic. Ricardo J. Zevada, Director del Banco del Ahorro Nacional - V. Carranza #52

Sr. Luis Montes de Oca, Presidente Ejecutivo del Banco Internacional, Edificio Guardiola - Av. Madero 2

Sr. Barnabe A. del Valle, Director General del Banco Mexicano - Esq. Motolinia y Av. Cinco de Mayo

Sr. Luis G. ~~XIMENEZ~~ Legorreta, Director General del Banco Nacional de Mexico - Av. Isabel la Catolica #44

Sr. William B. Richardson, Gerente de la Sucursal de The National City Bank of New York - Av. Isabel la Catolica #54

Sr. Raul Bailleres, Gerente del Banco Industrial - San Juan de Letran 9 -4o piso

Sr. Mario Dominguez, Gerente del Banco General de Capitalizacion - S. Juan de Letran #11

Sr. Jose de la Mora - Credito Algodonero de Mexico - Av. 20 de Noviembre 36-104

Sr. Lic. Alfonso Romandia Ferreira, Gerente de la Financiera Industrial Azucarera - S. Juan de Letran #21

Sr. Julio R. Poulat - Gerente General de la Sociedad Financiera de Industria y Descuento - Av. Madero #47

Sr. Lic. Adolfo Desentis - Sociedad Mexicana de Credito Industrial - V. Carranza Oriente 4 #946

Sr. Dr. Antonio Sacristan Colas, Gerente de la Sociedad Mexicana de Credito Industrial - V. Carranza Oriente 4 #946

Sr. Ing. Pascual Gutierrez Roldan, Director General del Banco Capitalizador de Ahorros - Av. Juarez #76

Sr. Antonio Diaz Lombardo, Director General del Banco Central de Capitalizacion y Ahorro - Av. Juarez #76

Sr. Lic. Juan Gallardo Moreno, Gerente de Aseguradora Mexicana - Av. 5 de Mayo #29

Sr. Ernesto J. Amescua, Director General de "La Nacional", Cia de Seguros sobre la Vida - Av. Juarez #4 - Ciudad

Sr. Lic. Carlos Prieto, Consejero Delegado de la Cia Fundidora de Fierro y Acero de Monterrey - Balderas #68

Sr. Ing. Evaristo Araiza, Director Gerente de la Cia Fundidora de Fierro y Acero de Monterrey - Balderas #68

Sr. Enrique Sarro, Director General de Altos Hornos de Mexico - Paseo de la Reforma #20

Sr. Carlos Trouyet - V. Carranza #53-9

Sr. Lic. Aaron Saenz - Gante #15

Sr. Emilio Azcarraga - General Motors de Mexico - Ejercito Nacional #185

Sr. Luis G. Aguiler, V. Carranza #26 - *Habana Plaza H*

Sr. Carlos H. Benitez, Director General de Guanos y Fertilizantes de Mexico
V. Carranza #25

Sr. Lic. Jose Angel Ceniceros - Cia Industrial de Atenquique - Ejido 7 -3er piso

Sr. Jose Maria Davila - Director del Banco Nacional de Credito Agricola -
Motolinia #11

Sr. Ing. Mariano Parra Hernandez, Director Gerente del Banco Nacional de Credito
Ejidal - Av. Uruguay #56

Sr. Julio Lacaud - V. Carranza #53

Sr. Lic. Manuel Sanchez Guen, Gerente del Banco Nacional Cinematografico
Ejido #43

Sr. Jose j. Farrell, Gerente de la Cia Electrica Chapala - V. Carranza 25

Sr. Lic. Manuel Palavicini, Presidente de la Comision Nacional de Valores -
S. Juan de Letran #9

Sr. Javier Marquez, Funcionario del Fondo Monetario Internacional - C/o del
Banco de Mexico - Av. Cinco de Mayo

Victor Urquidi . Tecoyotitla #188

*Mexico City
21.29.00*

*Contact in Finanzas
Sr. Marquez.*

Mr. Emilio Acevedo - General Motors de Mexico - Ejido Nacional #182

Harold Randall - Counsel

Mr. Luis G. Aguilar, V. Gerencia #183

Mr. Carlos H. Benitez, Director General de Guanos y Fertilizantes de Mexico

Lew Clark - Commercial attaché & acting

V. Gerencia #184

Mr. Lito Jose Angel Centeno - Cia Industrial de Atencuque - Ejido 7-3er piso

Mr. Jose Maria Davila - Director del Banco Nacional de Credito Agrícola

Kenneth Wright: First Secretary Financial

Motolista #11

Mr. Ing. Mariano Pardo Hernandez, Director General del Banco Nacional de Credito

Ejidal - Av. Uruguay #50

George Pope: Transportation

Mr. Julio Lacand, V. Gerencia #185

Mr. Lito Manuel Sanchez Guen, Gerente del Banco Nacional Cinematografico

Horace Braun: Petroleum

Ejido #11

Mr. Jose J. Treviño, Gerente de la Cia Electrica Chapala - V. Gerencia 25

Mr. Lito Manuel Palacios, Presidente de la Comision Nacional de Valores

Walter Burnham

S. Juan de Letran #9

Mr. Javier Marquez, Encargado del Fondo Monetario Internacional - C/O del

Banco de Mexico - Av. Cines de Mayo

Harry Wellman

Victor Vesperini, Tequilero #188

Maria C. V. 21. 22. 18

Control in forward

Mr. Marquez

TABLE I

MEMBERS OF THE PRESIDENT'S CABINET

MINISTRY OF ADMINISTRATION
(SECRETARIA DE GOBERNACION)

Secretary: Senor Adolfo Ruiz Cortines
Undersecretary: Senor Licenciado Ernesto P. Uruchurtu

MINISTRY OF FOREIGN RELATIONS
(SECRETARIA DE RELACIONES EXTERIORES)

Undersecretary in charge of the Ministry: Senor Manuel Tello

MINISTRY OF FINANCE AND PUBLIC DEBT
(SECRETARIA DE HACIENDA Y CREDITO PUBLICO)

Secretary: Senor Lic. Ramon Beteta
Undersecretary: Senor Rafael Mancha Ortiz

MINISTRY OF NATIONAL DEFENCE
(SECRETARIA DE LA DEFENSA NACIONAL)

Secretary: Senor General de Division Gilberto R. Limon
Undersecretary: Senor General de Division Aureo L. Calles

MINISTRY OF NAVY
(SECRETARIA DE MARINA)

Secretary: Senor Comodoro David Coello Ochoa
Undersecretary: Senor Capitan e Ingeniero Alberto J. Pawling

MINISTRY OF ECONOMY
(SECRETARIA DE ECONOMIA)

Secretary: Senor Licenciado Antonio Martínez Baez
Undersecretary: Senor Licenciado Manuel Sánchez Cuen

MINISTRY OF AGRICULTURE
(SECRETARIA DE AGRICULTURA Y GANADERIA)

Secretary: Senor Nazario Ortiz Garza
Undersecretary: Senor Ingeniero Jesús Merino Fernández

MINISTRY OF HYDRAULIC RESOURCES
(SECRETARIA DE RECURSOS HIDRAULICOS)

Secretary: Senor Ingeniero Adolfo Orive Alba
Undersecretary: Senor Ingeniero Eugenio Riquelme

MINISTRY OF COMMUNICATIONS AND PUBLIC WORKS
(SECRETARIA DE COMUNICACIONES Y OBRAS PUBLICAS)

Secretary: Senor Licenciado Agustín García López
Undersecretary: Senor Ingeniero Manuel Mayoral Heredia

MINISTRY OF PUBLIC EDUCATION
(SECRETARIA DE EDUCACION PUBLICA)

Secretary: Senor Licenciado Manuel Gual Vidal
Undersecretary: Senor Ingeniero Aaron Merino Fernandez

MINISTRY OF NATIONAL HEALTH
(SECRETARIA DE SALUBRIDAD Y ASISTENCIA)

Secretary: Senor Doctor Rafael Pascacio Gamboa
Undersecretary: Senor Doctor Gustavo Argil

MINISTRY OF LABOR AND SOCIAL AID
(SECRETARIA DEL TRABAJO Y PREVISION SOCIAL)

Secretary: Senor Licenciado Manuel Ramirez Vazquez
Undersecretary: Senor Licenciado Eleazar Canale y Munoz

MINISTRY OF NATIONAL PROPERTY AND ADMINISTRATIVE INSPECTION
(SECRETARIA DE BIENES NACIONALES E INSPECCION ADMINISTRATIVA)

Undersecretary in charge of the Ministry: Senor Licenciado Hugo Rangel Couto