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The World Bank  
1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)

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McNamara Papers

Contacts  
Libya (1974)

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President's papers - Robert S. McNamara Contacts with member countries: Libya -  
Correspondence 01



LIBYA

LIBYA

- 8/4/69 Abdulla Saudi, Representative of the Bank of Libya
1. 8/8-9/74 Abd al-Salam Jalud, Prime Minister  
(Tripoli) Mohammed Zarrouh Ragab, Minister of Treasury  
Mohammed Ali Tabu, Minister of Agriculture  
Taha Sharif Bin 'Amir, Minister of Transport and Communications  
Abu Bakr 'Ali Sharif, Minister of Economy  
Qasim Sher Lala, Governor of the Bank of Libya  
Abdullah Saudi, President of the Libyan Arab Foreign Bank  
Mohamed Finaish, Alternate ED, IMF
2. " RMcN Notes on Visit (*Filed in RMcN office*)
- 3/3/75 Ali El-Gayed, Chargé of Embassy



## OFFICE MEMORANDUM

TO: For the Record

FROM: S. Shahid Husain, Vice President, EAN

SUBJECT: Mr. McNamara's Discussions in Tripoli -  
August 8 and 9, 1974

DATE: August 12, 1974

During his visit to Tripoli, Mr. McNamara met the Prime Minister, Abdul Salam Jalloud, the Minister of Treasury, Mohammed Zarrouh Ragab, the Minister of Agriculture, Mohammed Ali Tabu, the Minister of Transport and Communications, Taha Sharif Bin 'Amir, the Minister of Economy, Abu Bakr 'Ali Sharif, the Governor of the Bank of Libya, Qasim Sher Lala and the President of the Libyan Arab Foreign Bank, Abdullah Saudi. The following is a resume of the more important points which arose during these meetings.

1. Meeting in the Office of the Minister of Treasury

Present: Minister of Treasury  
Governor, Bank of Libya  
President, Libyan Arab Foreign Bank  
Mr. Mohamed Finaish  
Alternate Executive Director, IMF  
Mr. McNamara  
Mr. Cargill  
Mr. Husain  
Mr. El Fishawy

The Minister welcomed Mr. McNamara. He said that his Government had been following with interest the activities of the World Bank and was impressed with the change in its attitudes and policies since the withdrawal of financing offer for the Aswan dam. He had noted the increase in the Bank Group's operations in the Arab countries. The Minister indicated that the Bank would enjoy Libya's support, provided that it did not emphasise political considerations. The Minister expressed concern regarding the multiplication of institutions and said that this might hinder rather than facilitate the flow of increased resources to the developing countries.

The Minister said that Libya would need the World Bank's cooperation and advice in its own development and channelling resources to other countries. Libya was extending bilateral assistance as well as assistance through multilateral institutions. The Libyan Arab Foreign Bank had been created to manage Libya's capital exports. The



Minister commended the important role of the World Bank in development assistance and hoped that the votes and influence of the LDC's in it would increase. He said that the cooperation his Government would consider with the Bank comprised: (a) World Bank borrowing in Libya; (b) increase in Libya's capital subscription to the Bank; (c) joint financing of projects; and (d) technical assistance from the Bank for projects and programs in Libya.

Mr. McNamara thanked the Government for the invitation to visit Libya. He said that Libya had supported the Bank's effort in the past through the two year bond issues. He was concerned that many people identified the Bank with the U.S. Government policies and did not sufficiently appreciate its independence and international character. He said that since he took over as President, he had made a serious effort to diversify the Bank's staff and its lending. Until 1968 the only loan to Egypt had been for the Suez Canal reconstruction. Soon after assuming the Presidency of the Bank, he went to Egypt and held discussions with President Nasser. Since then the Bank had significant operations in Egypt and other Arab countries.

Mr. McNamara said that the shortage of food and fertilizers, the worldwide inflation and the increase in the price of oil had created a particularly difficult situation for the poorest countries, countries with per capita incomes of \$200 or less. These and other developing countries were in need of increased external resources to maintain even a minimum growth in production and employment. Furthermore, the entire world economy faced the problem of adjustment to the new situation arising from the higher price of oil. Financial and development institutions will require considerable skill to cope with the new flow of funds and to direct some of these to the areas of greatest need.

Mr. McNamara said that it would be highly desirable for the OPEC and less developed countries to increase their share in the Bank. Regarding the OPEC countries, he thought that their subscription should increase from about 4% now to about 15%. He said that the Bank Group now had a lending program of \$31 billion for 1974-78. The IBRD share of this was \$22 billion and its borrowing program \$16 billion. Mr. McNamara referred to recent and prospective borrowings in Iran, Saudi Arabia and Venezuela. He said that he would hope to be able to borrow about \$300 million per annum in Libya. He also looked forward to further joint financing on the lines of the Gecamines project in Zaire. Regarding technical assistance, Mr. McNamara offered the Bank's assistance in transport, industry, power and possibly plan evaluation.

Mr. Finaish said that the industrial countries should also increase their assistance to LDC's. Mr. McNamara agreed and said that while the oil countries were liquid, in most of them per capita incomes were lower than in the industrial countries.

Mr. Sher Lala asked what would happen if Libya lent to the Bank and, before the maturity of the bonds held by it, needed funds for its own development. Would it be able to liquidate these bonds? Mr. McNamara said that OPEC countries enjoyed the same rights in the Bank as any other country. Any OPEC country in deficit and in need of resources for development could borrow for projects from the Bank.

Mr. McNamara informed the Minister that Mr. Cargill would be responsible for relations with Libya, including technical assistance.

2. Meeting with the Prime Minister

Present: Prime Minister  
Minister of Treasury  
Mr. Finaish  
Mr. McNamara  
Mr. Cargill  
Mr. Husain  
Mr. El Fishawy

The Prime Minister welcomed Mr. McNamara. He said that Libya was interested in a greater role in the international community and hoped this could be done, among others, through the World Bank. He said that he wanted to speak to Mr. McNamara as the President of the World Bank as well as an important and influential American citizen.

Speaking to Mr. McNamara as a US citizen, the Prime Minister said that he was unable to understand the basis of US policy towards Libya and the Arabs. Libyan people had nothing but goodwill for the American people, yet his impression was that the Americans were misled about Libya by the media and there was a lack of understanding. He felt that relationship between nations should be based on long term interest rather than short term considerations. The American revolution was led by people who believed in freedom and equality, but this principle was no longer supported by the US Government. People were living in a small world and every local problem had international repercussions. There was need for cooperation and global approaches.

Mr. McNamara, in his comment on this point, expressed the hope that there would be continued improvement in the US Government and people's understanding of the Arab world, their aspirations and problems. He mentioned to the Prime Minister his own interest in expanding the World Bank's assistance to the Arab countries. Lending to Arab countries had increased from an annual average of \$50 million in 1964-68 to \$200 million in 1969-73 and \$560 in 1974.



Turning to the international economic issues, the Prime Minister referred to the changing economic balance. He said that the previous economic order was one of considerable imbalance, where a few nations controlled and benefited from a major part of the economic resources. Lately, people in the third world had tried to improve the balance in their favor and this was the reason for protests from the industrialised countries. The Prime Minister said that there was massive poverty and hunger in the poorest countries even before the oil price increase, but now it was being blamed on the oil producing countries.

The Prime Minister said that resolutions of international financial and economic issues required a well coordinated effort on the part of the industrialised countries as well as oil producers and international organisations. As far as Libya was concerned, although its own needs were great, it would do all within its capacity to assist the developing countries, bilaterally, through the IMF and the World Bank. Libya felt it had a moral obligation toward the less privileged. He hoped that international institutions would not continue to be controlled by the industrial countries and countries in the third world would have reasonable influence and role in their affairs.

Mr. McNamara said that most of the OPEC countries were not as rich as the OECD countries, but they were liquid. The oil price increase raised problems of adjustment for the rich countries as well as the poor. He said that the IMF were trying to develop mechanisms for the orderly flow of resources from the surplus areas to the needy. He told the Prime Minister that in the years to come, he would find the Bank increasingly responsive to the OPEC countries, the third world and their ideas.

The Prime Minister welcomed the Bank's offer of technical assistance to Libya and said that his Government would fully cooperate with the Bank in its effort to assist countries in the third world.

cc: Mr. McNamara  
Mr. Knapp  
Mr. Cargill  
Mr. Benjenk  
Mr. Shoaib

SSHusain:pe

