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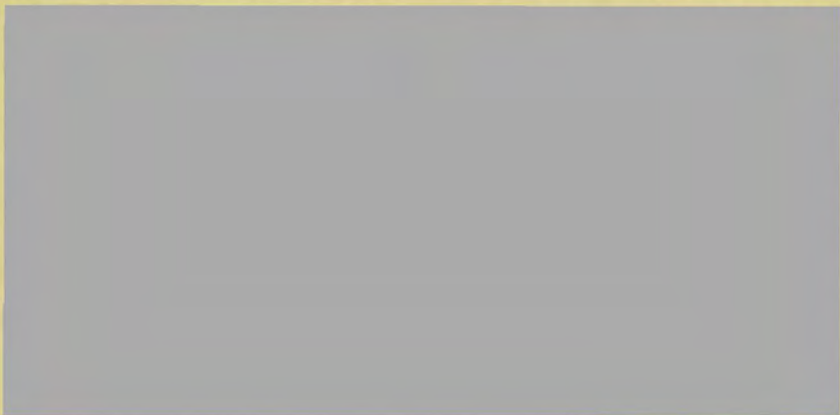
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President Eugene R. Black speeches

1956, Mar-May



The World Bank Group
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FOR THE PRESS
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Expected at 9:30 P.M.
May 8, 1956

Address by Eugene R. Black
President of the World Bank,
at the Annual Dinner of the Connecticut Chamber of Commerce
Hartford, Connecticut
May 8, 1956



... I want to talk with you this evening about the underdeveloped areas of the world. I chose this subject not only because of the work of the World Bank in these areas, but because I think America's attitude toward the problems of the underdeveloped world is going to be an increasingly important factor in the fight of free men to withstand and throw back the incursions of Soviet Communism.

The fears and hopes of the refugees living in squalor on the outskirts of Karachi and New Delhi, the yearnings of farmers scratching out a poor existence in Guatemala and Nicaragua, the dreams of the slum-dwellers in Baghdad and Beirut -- the aspirations of all these people are no longer of just local or regional importance. They have a relation -- a very direct relation -- to the realization of our own American dream.

As we look at the free world today, we must be struck by the fact that underdeveloped countries constitute at least two-thirds of it. Only Western Europe and North America can be described as developed areas, where adequate use is being made of natural resources and human talents, ~~and where, as a result, life can be lived in some dignity and reasonable material comfort.~~

In these respects, our Atlantic Community is an island, less than half a billion people surrounded by more than a billion whose life has

scarcely been touched by the material benefits of 20th century civilization. On this side of the Iron Curtain, a thousand million people are living with half the diet, a tenth of the doctors, a tenth of the schools, a tenth of the income that are standard in the United States. For hundreds of millions of them, life expectancy is less than 35 years — or about the same as it was in our thirteen American colonies two centuries ago.

This is certainly not the fault of the United States, and this country certainly has no obligation to do anything about it. For my own part, I am not one of those people who believes that we owe the world a living. But I do think it is very much to our own interest to do what we can, on an intelligent basis, to promote economic development in the rest of the world. Let me state why I think this is so.

Development abroad will enable foreign nations to produce the goods and services that can make them active trading partners, rather than supplicants for goods and services which the United States, in one way or another, has been giving away free. Development abroad will create and strengthen markets for goods produced in the United States and the rest of the Atlantic Community. It will develop resources of primary materials which are vital to our industrial economies. Finally, I think economic development is one of the keys to stability and peace in the world.

Let me return to one or two of these points. In recent decades, export markets, by and large, have not been important to the American economy. They absorb only a small amount of our national product, and account for only a fraction of our national income. But this picture is changing.

Since 1940, there has been an enormous growth of physical plant in the United States. The physical volume of industrial production has nearly

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Let us return to one or two of these points. In recent decades, exports, by and large, have not been important to the American economy. They absorb only a small amount of our national product, and account for only a fraction of our national income. But this picture is changing. Since 1940, there has been an enormous growth of physical plant in the United States. The physical volume of industrial production has nearly

doubled, and the basic trend is still running upward.

America's capacity to save, to invest and to produce is so great that in many industries we have already reached the point where capacity is more than enough to meet the demands of our own market. That capacity, if it is to be used, will have to be used for customers abroad. I am sure that you are keenly aware of this problem here in New England, where one job out of every nine, I am told, already depends on exports.

Developed countries, as you surely appreciate, are better markets than backward ones. Let's take an underdeveloped country like Ethiopia. Here is a country rich in natural resources. It has just about the same population as New England, and about five times the territory. But on a per capita basis, its purchases of American goods amount only to about 50 cents a year.

Contrast this with Belgium and Luxembourg. These two countries also have about the same population as New England, crowded into one-sixth as much land. But they are highly developed countries, and they import American products at a rate of nearly \$30 per capita per year.

In terms of export prospects, it surely is obvious that the United States would be better off in a world in which there were more \$30 countries than there are today.

There is a second aspect of our relations with the underdeveloped countries that is of increasing importance to us. Over half the things we import come from those countries. They include such indispensable items as tin, copper, lead, manganese, bauxite, cobalt and zinc. Although we are the world's greatest industrial producer, we mine within our own borders only about one-third of the number of basic materials we need. And as our

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industrial production mounts, our factories will grow more and more hungry for some of the things they must have from abroad to keep going.

So, whether we like it or not, we must take an increasing interest in the development of raw materials production abroad. Here again, I know that a keen awareness of this problem must exist in New England, where a substantial part of your requirements for fuel, and for raw materials needed by such industries as your metals industry here in Connecticut, must come from abroad.

But, if Americans are seriously interested in increasing trade and in making the most use of productive capacity, they they must actively help to increase production abroad. Most of your production in Connecticut is for a high-income market. You are not going to sell your metal products, your machine tools and your other finished goods more extensively in the underdeveloped areas unless the people of these areas have the money to buy them. And they are not going to have the money to buy them without more production, more earnings and more savings of their own.

An important avenue -- and potentially a wide one -- to increasing world commerce is to put more investment into productive facilities overseas. This kind of investment, of course, is the World Bank's principal business. The Bank has now been in operation for nearly 10 years, and has invested about 2-1/2 billion dollars in public and private projects in 40 different countries. Our first loans were made in advance of the Marshall Plan to help maintain a flow of imports from the United States that were essential to reconstruction in Western Europe.

Although we have continued to lend in Europe, most of our operations since 1947 have been carried out in underdeveloped countries. These

countries are not poor because they lack natural resources; they are poor because they have not yet done enough to develop the resources they have. To give you two extreme examples: Despite a hydroelectric power potential of some millions of kilowatts, West Pakistan today has less than 50 thousand kilowatts of electric generating capacity based on water power. Honduras, a farm country which is one of the largest in Central America, has only 20 miles of paved road.

The fundamental task which the loans of the Bank are helping to carry out is to construct or enlarge the basic facilities essential to modern economies. Since reconstruction, we have lent \$660 million for the expansion of electric power services. We have lent another \$600 million for transportation facilities -- to buy equipment for the construction or operation of motor roads, railroads, ports and inland waterways.

We have lent a quarter of a billion dollars for industry, and a little less than that for the improvement or expansion of agriculture through land reclamation, irrigation and farm mechanization. Finally, we have lent about \$140 million for programs of development embracing projects in several or all of these basic fields.

Connecticut products, I may say, have been sent all over the world to play their part in projects financed by the Bank. Our borrowers have needed them, for instance, for electric power installations in Chile, Finland, India and Mexico; for farm development in Paraguay and Pakistan; for railway improvements in Brazil and Colombia; and for air transport in Australia.

A few minutes ago, I referred to the Bank's "business", and I used that term advisedly. We do not pay our bills from your taxes; we support our activities out of our own earnings. Our loans are being repaid on

schedule --- indeed, we have received more than \$110 million of repayments ahead of time. Our net income is running at a rate of nearly \$30 million a year, and our reserves out of earnings and commissions amount to more than \$200 million.

So far from competing with private capital, the Bank has worked actively -- and successfully -- to encourage the participation of private capital in international investment. While we began our lending operations nine years ago out of payments which our member governments made for shares of our stock, our most important source of new capital has been private funds.

We have tapped that source most often by the sale of our bonds, of which \$850 million worth are now outstanding. We have also sold some \$225 million worth of our loans to other investors, who either buy them out of our portfolio or participate in the loans when they are made.

Up to now, I have spoken in terms of dollars, but only as a convenient way of describing sums that include other money as well. The Bank is an international organization, and its sources of finance are by no means confined to the United States. We have lent 18 different currencies in all; and in recent years, half of our new loan funds -- from foreign government subscriptions to our capital, from our sales of bonds to foreign investors, and from earnings -- have come from outside the United States.

The fact that the Bank is an international organization is of advantage to the governments of developed countries, including the United States, because it enables them to share out development costs with private investors and with each other.

The Bank's international character also gives rise to another advantage

of greatest importance -- and that is the opportunity to work effectively and closely with borrowers and borrowing countries in ways, that for the most part, are not equally open to individual governments in their dealings with other nations. Precisely because we are international, we cannot in truth be charged by our borrowers with operating from selfish motives of profit or economic exploitation, nor can we be charged with discriminating between different countries for reasons of politics, strategy or diplomacy.

We can, and do, apply business-like standards to our lending. The Bank lends, in the normal course, for specific projects. We do not finance the whole cost of those projects; the borrower himself must make a substantial investment, and is usually required to find all those funds needed for local expenditures on labor and materials. We estimate that our \$2.5 billion of lending is being matched by well over \$3 billion of other investment.

We pick and test our projects with a great deal of care. I am not going to describe the process in any detail; I would rather tell you what the loans are helping to do.

In Iraq a couple of weeks ago, young King Faisal dedicated the Wadi Tharthar project for turning the floods of the Tigris River away from the city of Baghdad and the surrounding farm area. In 1950, we had lent the Iraq Government \$12.8 million for the equipment and engineering services that were needed to construct the scheme. The project will save Iraq some \$4 million a year that the Government and individuals have spent, on the average, for levee construction and disaster relief; and it will prevent damage which as recently as 1954 amounted to an estimated \$80 million from a single flood. And the Bank has its money back already; after the project

had been well advanced, Government oil revenues had increased so much that half the loan was cancelled and the other half was repaid in advance.

Or take the case of Gwelo. This is a town sitting on a mile-high prairie in the center of Southern Rhodesia, and it is a symbol of what the Bank is helping to accomplish in a young and growing country. The town is at the center of the Southern Rhodesian railway system, to which new equipment is being added with the help of Bank financing; and it is near the start of an entirely new rail line, built under a Bank loan, that connects to a new seaport on the Indian Ocean. More than that, Gwelo is close to a new power plant of some 120,000 kilowatts generating capacity -- one of several plants that has been built with Bank help.

The town is a bustling place of some 30 thousand people. It is the headquarters of engineering and construction companies; its factories make chemicals, shoes, leather goods, razor blades, steel castings, concrete and many other products. All this is happening where only a few years ago there was a settlement of only a few hundred people -- and Gwelo may be said, almost literally, to be the creation of electric power and transportation.

When the Bank lends for electric power development, it usually lends for sizeable projects. But in Mexico, we have lent for over 50 power installations, many of them quite small, and some of the most vivid examples of what electricity can do for progress are to be found among these small projects.

One of these installations was a generating plant of some 2,700 kilowatts capacity in the town of Ciudad del Carmen, a shrimp-fishing port on the Gulf of Mexico. This was Carmen's first dependable, 24-hour-a-day

electric supply, and presented the first opportunity to make enough ice to fully protect the shrimp catch from spoiling. Nine deep freezing and ice manufacturing plants have now gone up in Carmen. A large shrimp canning factory has been built and is operating at a profit. Seven small yards have come into operation to build more fishing boats. Two years ago, only an occasional tramp steamer called at Carmen to pick up shrimp -- today, modern refrigerator ships provide regular service from Carmen to Texas ports. Furniture plants and other small industries have begun to spring up. This town, which three years ago was almost literally in danger of drying up and blowing away, is now a busy and growing community. That is what a little electric power and a lot of private initiative have been able to do in Carmen.

An even smaller project, in this Mexican group, was the installation of some 600 kilowatts of generating capacity in the town of Tecuala, on Mexico's west coast. The plant began operating in 1951. At the same time, a paved road arrived to give Tecuala a better connection with the surrounding farm country. The sequel to these two events was little short of explosive.

In the next three years, the population of the town grew from 5,000 to 13,000. The number of children in school increased seven-fold; and for the first time, the adults of Tecuala, many of them illiterate, were able to have a night school. There is power now for the hospital and its first fluoroscope. The new electricity is powering two movie theaters, the town's first radio station and the presses of its first newspaper. The number of small factories and processing plants has grown from three to more than 30. Among other things, Tecuala now makes ice, corn meal, shoes

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An even smaller project, in this Indian group, was the installation
 of some 600 kilowatts of generating capacity in the form of turbines on
 the coast of the west coast. The plant began operating in 1931. At the same time,
 a gravel road arrived to give Lunenburg a better connection with the sea
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In the next three years, the population of the town grew from 3,000
 to 13,000. The number of children in school increased seven-fold; and for
 the first time, the school of Lunenburg, many of them illiterate, were able
 to have a night school. There is power now for the hospital and the first
 fluoroscope. The new electricity is powering two movie theaters, the
 town's first radio station and the press of its first newspaper. The
 number of small factories and processing plants has grown from three to
 more than 30. Many other things, Lunenburg now makes too, some small, some

and furniture. The community is making more, earning more, and is much better able to satisfy its hunger for products from the outside world. To cite only one instance, there are today more than a dozen stores selling electrical appliances, as compared to none five years ago; and Tecuala is now a market for electric fans, electric irons, radios and refrigerators. The mayor of the town sums up the whole story well when he says, "We have come out of the dark ages into the light."

Now let me switch from these small projects to a very big one -- the biggest ever to be considered in the Bank, and the biggest of its kind, in fact, ever to be planned anywhere. I am referring to the High Dam which the Egyptians intend to build at Aswan, near the first cataract of the Nile. The Dam would be nearly 400 feet high, ~~three~~ ^{one} miles ^{at the base} thick, and ~~five~~ ^{three} miles ^{long} ~~wide~~, and would be 17 times greater in volume than the Great Pyramid of Cheops. The Dam would store enough water to inundate the entire state of Rhode Island, in a snake-like reservoir long enough to stretch from here to Richmond, Virginia.

As some of you are aware, the project actually consists of three elements. One is the construction of the High Dam itself. Another is the use of water stored by the dam to extend perennial irrigation to some two million acres of land, or about a third more than are perennially irrigated at present, and including 1.3 million acres not now irrigated at all. The third element is the installation of a large hydroelectric power plant, along with the necessary distribution facilities, which will more than double the present supply of electricity and help the continuing growth of industry in Egypt.

The Bank was informed late in 1952 that the Egyptians intended, if

possible, to carry out this project. I myself discussed it with the Egyptian authorities on a visit I made to Cairo as part of a general trip to the Middle East early in 1953. The Bank has been in close touch with the planning and preparation of the project since that time, and our own experts spent five months in Egypt in 1954 and 1955, making a detailed study.

We believe -- as do private experts of international repute -- that the project is entirely feasible. Further, we estimate that when the project is in full operation -- which will not be for another 15 years or more -- the value of new agricultural and industrial production and of other benefits will within a short span of years be more than equal to the investment required for the project.

But in the meantime, the problem of financing is a large one. We began close discussions of this with the Egyptian Finance Minister in the Bank during November; and at the invitation of Col. Nasser, the Prime Minister of Egypt, I went to Cairo earlier this year to discuss it further.

The estimated cost of the project and ancillary works is \$1,350,000,000, of which some \$400 million represents private investment. Our discussions centered on the balance -- \$950 million -- which will take the form of government expenditures. In line with the Bank's usual practice, the Egyptian Government will take the responsibility for \$550 million needed in Egyptian currency for local labor, services and materials. That leaves \$400 million needed in other currencies for equipment and services that will have to come from abroad.

I felt that of this amount the Bank could lend half, or \$200 million, but that it would be necessary for the Egyptian Government to find elsewhere

the remainder of the foreign exchange needed. Before I went to Cairo, the American and British Governments had offered grant funds of \$70 million -- enough, it is estimated, to cover the foreign-exchange costs of diverting the Nile from its bed and completing the foundation of the Dam. The two Governments also indicated that they would be prepared at a later date, in the light of the then existing circumstances, to give sympathetic consideration to financing the later stages of the project, as a supplement to Bank lending.

The position of the two governments, however, was contingent on lending by the Bank. At the invitation of Colonel Nasser, I therefore went to Egypt to discuss with the Prime Minister himself the circumstances under which the Bank would be willing to participate in the financing of the project. Most important, it was necessary to know whether the Egyptian Government was determined not only to give the necessary financial support to the project, but also to budget other public investment prudently and with foresight, so as to avoid bringing the project -- and, indeed, the economy of Egypt itself -- into jeopardy. During my visit to Cairo, the Prime Minister and I reached an understanding which was satisfactory to me.

The World Bank is not interested in projects only. It is even more interested in whether the underdeveloped countries are themselves making the most of their own opportunities. The effects of even the best project may be lost in an economy that is going adrift; and the whole process of development requires intelligent use of a country's resources as a whole. It calls for the wise budgeting and direction of public investment toward realistic goals, and it requires public economic and fiscal policies that will support private initiative and private investment.

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 economic goals, we in regard to public economy and fiscal policies that
 will ensure private initiative and private investment.

The Bank hammers very hard at this matter of encouraging private enterprise and private investment within the underdeveloped countries themselves. We have worked for proper government policies, and we have declined to support government ventures in fields of industry which should be competitive and for which, under the right circumstances, private capital could be found.

We discuss these considerations with prospective borrowers before we lend; we offer advice on these matters when we feel that it is useful to do so; and not infrequently our decision to lend or not to lend depends upon the outcome of these discussions. In more than one case, we have decided that our most effective contribution to development can be made by shelving loans until the prospective borrower has begun to straighten out his own affairs; and to do what it lies within his power to do with resources already at his disposal.

In other words, the Bank has not tried to be popular. We have tried to be effective and to win respect. And it is generally recognized, I think, that in these things, we have succeeded.

The Bank, as I said, is an international institution. But I believe that it is serving your interests and the interests of the United States. It is helping to create production and earnings in the underdeveloped world, and it is helping to create paying customers abroad for communities like yours.

In Washington, Congress is now considering the Administration's proposals for the continuation of economic aid to countries abroad. Without commenting specifically on those proposals, I want, from the vantage point of our experience in the Bank, to offer some remarks about reasons that are put forward both for and against economic aid. Some of them, I think,

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confuse rather than clarify the issue. We hear it said, for example, that such massive amounts of aid are needed that to satisfy them would work serious damage on the American economy. I just do not believe that. It assumes that everything can be, and must be, done at once. But the fact is that the rate at which the underdeveloped countries can absorb new capital is limited; and that the number of useful projects on which public funds can be properly and effectively spent is far from infinite. The danger, in my opinion, is not that we shall try to do too much, but rather that we will find it possible to do too little.

On the other side, the most popular argument in favor of foreign aid is that it can win friends for the United States and the democracies of the west. This, too, seems doubtful to me. This kind of thinking in the past has already kept aid from being as effective as it might have been, because it has emphasized the act of giving -- or in some cases, of lending -- at the expense of careful attention to the study and selection of projects for economic merit.

On the recipient side, too, the friendship theory has not infrequently had unfortunate results which were quite the opposite of those intended. It has encouraged a supplicant attitude on the part of some underdeveloped countries, and has made it quite logical for them to feel resentment when one of them does not receive as much aid as some other. And in a few cases, the notion that American aid was intended to buy their favor has caused underdeveloped countries to decline that aid altogether.

To believe that economic aid can win friends is to take altogether too simple a view of international relations; and I think we must always remember the warnings of experienced diplomats that friendships cannot exist between

course rather than identify the issue, he said, for example, that such massive amounts of aid are needed that to satisfy them would work serious damage on the American economy. I just do not believe that. It is true that everything can be done at once, but the fact is that the rate at which the underdeveloped countries can absorb new capital is limited; and that the number of useful projects on which funds can be expended and effectively spent is far from infinite. The danger, in my opinion, is not that we shall try to do too much, but rather that we will find it possible to do too little.

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On the western side, too, the Eisenhower theory has not infrequently had unfortunate results which were quite the opposite of those intended. It has encouraged a suppliant attitude on the part of some underdeveloped countries, and has made it quite logical for them to feel resentment when one of them does not receive as much aid as some other. And in a few cases, the notion that America was intended to pay their favor has caused underdeveloped countries to behave less intelligently.

To believe that economic aid can win friends is to take altogether too simple a view of international relations; and I think we must always remember the warning of experienced diplomats that friendships cannot exist between

nations in the same sense as it exists between one person and another. Indeed, if aid could win us friends in the sense that some people believe, the United States, after the expenditure of scores of billions of dollars since the war, already would be far and away the most befriended nation on earth.

What can exist between nations is mutual interest, based on geography, history and many other factors -- a complex in which aid can only be one part. I think that the United States, both acting on its own part and making the fullest possible use of international organizations like the Bank, can wisely and realistically support aid for economic development, and I think so because the United States itself will benefit from the growth in world production, markets and trade that economic development can help bring about. The right kind of program can mitigate the problem of scarcity overseas, and it can at the same time build markets for industrial nations like the United States and industrial communities like Connecticut. I think one important conclusion that follows from this is that the United States should give support to economic aid continuously, and not according to the rising or falling barometer of pressures in world politics.

There is, to my mind, just one other compelling reason to support economic development. It is that the course of development will become a more and more important factor in determining the kind of world we ourselves live in. The political and economic revolution that we ourselves helped begin in the 18th century is now beginning to march through many parts of the underdeveloped world. Wherever the revolution marches, we see political, economic and social institutions in the process of change.

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and I think to become the United States itself will benefit from the growth
in world production, exports and trade that economic development can help
bring about. The United States of course can mitigate the problem of
world overpopulation, and it can do the same with other nations for industrial
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I think the important question that follows from this is that the United
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the 19th century is now beginning to repeat through each part of the world-
developed world. However the revolution reaches, we see political, economic

and social institutions in the process of change.

The form in which these institutions begin to crystallize is of the utmost importance to us. In a better economic environment, there is a better chance for men to appreciate those values of freedom and democracy which mean so much in the West and so little in Moscow. If aid to economic development can help men prize and assert their independence, then it is something greatly worth doing. And if along with our aid we can demonstrate the validity of our own principles of freedom of individuals and of enterprise, then I think we are making some progress toward shaping the kind of world which we ourselves want. I think this is worth doing -- not reluctantly and hesitantly, but on a scale and with a constancy of purpose equal to the importance of the task.

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W. W. RORER

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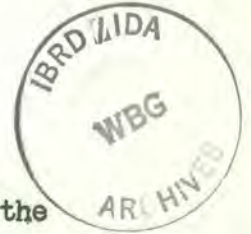
HOLD FOR RELEASE

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
(WORLD BANK)

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

(see memo. P.R.)
re-corr 10/9/56 - 58

Address by Eugene R. Black, President of the
International Bank for Reconstruction and Development,
before the 21st Session of the Economic and Social Council of the
United Nations, meeting at U.N. Headquarters, New York City



TO BE HELD FOR RELEASE UNTIL DELIVERY HAS BEGUN, EXPECTED
TO BE ABOUT 10:30 A.M. WEDNESDAY, APRIL 18, 1956

This is the seventh occasion on which I have had the privilege of appearing before this Council to discuss the work of the International Bank. I always look forward to this opportunity to exchange views with you on the activities and policies of the Bank and on some of the more important problems of development with which we are all so deeply concerned.

Our Annual Report for the fiscal year which ended last June, and a supplementary report which covers our activities through January of this year, have been circulated to you. I shall not attempt to discuss this morning the whole range of activities described in those reports; instead, I should like to concentrate on what seem to me to be the important or particularly interesting developments in our activities during the period under review.

In the past fiscal year the Bank loaned \$410 million for development purposes, a record figure. Since then we have made 17 more loans totaling \$257 million. These loans represent a substantial extension in the geographical scope of our operations, since we lent for projects in seven countries or territories in which we had not been active before -- Algeria, Ceylon, East Africa, Guatemala, Honduras and Lebanon. As of today, our loans number 141 and amount to almost \$2-1/2 billion; they have helped to finance projects in

MEMORANDUM

Address by Eugene B. Black, President of the International Bank for Reconstruction and Development, before the 51st Session of the Economic and Social Council of the United Nations, meeting at U.N. Headquarters, New York City

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41 member countries or territories.

Our largest loan in 1955 was one of \$70 million in support of a broad program for the development of Southern Italy, a program whose total cost is estimated at the equivalent of \$2 billion. Though very large in scale, the program has been ably planned and is being intelligently and vigorously executed; as a result, it has captured the imagination and support of the Italian people. The Bank had previously made two \$10 million loans for the project and this year's increased financing is evidence that the operation is now in full stride. This particular loan stands out from the usual run of Bank financing, I think, because of the deep impact which the program promises to have upon the whole economy of an important member country. There are, I might add, two other very sizeable projects before us which may have somewhat the same far-reaching effect upon the course of development of the countries concerned; I refer to the High Aswan Dam project in Egypt and the Kariba power scheme in Rhodesia.

The past year has also been marked by substantial activity in the Bank's technical assistance program. The reports of two general survey missions were published, on Malaya and Syria; a third such report on Jordan is nearing completion. Among other activities, we gave Iran assistance in recruiting technical staff for its Plan Organization, helped Ecuador to establish a Board of Planning and Economic Coordination, sent several advisory missions to Colombia, and assisted Mexico to carry out a full-scale study of its electric power requirements. At the request of the Italian government, a mission has now gone from the Bank to Italian Somaliland, and we hope that its report will be of value in future deliberations of the Trusteeship Council concerning that territory.

We have continued to participate actively in the series of discussions on the use of the waters of the Indus Basin which have been taking place in

The first part of the report is devoted to a general survey of the development of the country since 1945. It is a very interesting and well-written account of the progress made in various fields, including agriculture, industry, and education. The author's observations are based on a long period of residence in the country and are of great value.

The second part of the report deals with the economic situation. It discusses the various factors influencing the economy, such as the availability of raw materials, the state of the labor force, and the government's policies. The author's analysis is thorough and provides a clear picture of the economic challenges and opportunities facing the country.

The third part of the report is devoted to a study of the social conditions. It examines the living standards of the population, the state of the health services, and the progress of education. The author's findings are based on extensive fieldwork and are of great interest to those concerned with social development.

The fourth part of the report discusses the political situation. It examines the various political parties and their policies, and the role of the government in the development of the country. The author's analysis is objective and provides a clear picture of the political landscape.

The fifth part of the report is devoted to a study of the cultural life of the country. It examines the various forms of art, literature, and music, and the role of culture in the development of the country. The author's findings are of great interest to those concerned with cultural development.

The sixth part of the report discusses the future prospects of the country. It examines the various factors influencing the country's development, such as the availability of raw materials, the state of the labor force, and the government's policies. The author's analysis is thorough and provides a clear picture of the future prospects of the country.

The report is a very valuable contribution to the study of the country's development. It provides a clear and comprehensive picture of the various aspects of the country's life, and is of great interest to those concerned with the development of the country. The author's observations are based on a long period of residence in the country and are of great value.

Washington, under the auspices of the Bank, between delegations from the Indian and Pakistan governments. These important negotiations are still going on and I am hopeful that they will have a favorable outcome; they have already resulted in two interim agreements between the governments covering the last two crop seasons. We also have missions at present in both India and Pakistan making extensive enquiries into the development plans of those countries.

The newest development in the Bank's technical assistance work has been the establishment, with financial assistance from the Ford and Rockefeller Foundations, of our Economic Development Institute, which began its first course in Washington in January of this year. Successful economic development in any country is obviously dependent in very large measure on the ability of responsible senior officials to adopt the right economic policies and to execute development programs efficiently. Such skills are not plentiful in underdeveloped areas and it is vitally important that this shortage be overcome as rapidly as possible. It is the purpose of the new Institute to help achieve this objective by providing each year a concentrated course of study on development problems for selected key officials from our member countries. In the first course 14 such officials have participated and I believe they are learning a great deal from each other and from the many distinguished persons from government, business and the academic world who have led seminars at the Institute or given lectures on subjects of special interest. Although the facilities of the Institute can be made available only to a relatively small number of participants each year, I feel confident that the effects of its work will, over the years, be of substantial and cumulative significance.

Turning now to the finances of the Bank, I am glad to report that they continue in good order. Repayments of principal and interest have been made

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Turning now to the finances of the Bank, I am glad to report that they continue in good order. Repayments of principal and interest have been made

without interruption, and the reserves of the Bank now total nearly \$216 million, including over \$70 million in the Special Reserve.

We have enjoyed growing support from the private investment market in the past year, with financial institutions showing increasing interest not only in purchasing portions of loans from our portfolio but also in participating directly in our loans at the time they are made. We have, in fact, had participations by one or more banks in 27 of the 37 loans made since the middle of 1954, to a total of \$40 million, all without our guarantee. Equally encouraging has been the tendency for both participations and portfolio sales to involve longer maturities. I want to invite attention, too, to the extent to which new funds have been provided for the Bank's operations by non-dollar countries. In the calendar year 1955 over fifty per cent of the Bank's portfolio sales were placed outside the dollar area. While there was no issue of Bank bonds on the American market during the year, we floated issues in Holland, Switzerland and Canada, totaling the equivalent of \$37 million. All of these issues, I am happy to say, were successful.

There have been many indications recently of an awakening interest on the part of private capital in overseas investment. The past year, for example, has seen the creation of several new private foreign investment institutions, which have the backing of experienced banking houses from several countries. And while the actual flow of new overseas private investment has not yet greatly accelerated, I discern encouraging signs that previously hesitant investors are now adopting a more affirmative attitude.

I consider these signs auspicious for the Bank's new affiliate, the International Finance Corporation, which I expect will come into being within the next few months. The Bank has supported the IFC proposal since it was first put forward five years ago in the belief that an international agency able to finance private enterprises without a government guarantee and to

without intervention, and the reserves of the bank now total nearly \$100 million, including over \$70 million in the special reserve.

We have enjoyed working with the bank and the Government since the past year, with financial institutions working increasingly closely not only in providing services of loans from our facilities but also in participating in our loans at the time they are made. We have, in fact, had direct relations by the bank in more than 25 of the 37 loans made since the start of 1954 to a total of \$40 million. All these loans were made in accordance with the policy for both participation and portfolio sales to involve longer maturities. I had no further observation, due to the extent to which new loans have been provided for the bank's operations by non-dollar currencies. In the calendar year 1955 over \$100 million part of our portfolio sales were placed outside the dollar area. While there has been a net flow of funds from the American market during the year, the total amount of dollar loans, including the equivalent of \$37 billion. All of these loans, I am happy to say, were successful.

There have been many indications recently of an expanding market on the part of private capital in overseas investment. The past year, for example, has seen the creation of several new private foreign investment institutions which have the backing of experienced banks in several countries. And while the actual flow of new overseas private investment has not yet greatly accelerated, I believe some of the same that previously existed in nature are now adopting a more active attitude.

I consider these signs auspicious for the bank's new activities, the International Finance Corporation, which I expect will soon be doing a large part of the work. The bank has suggested the IC's proposal since it has first put forward five years ago in the belief that an international agency could be financed whose activities would be government guarantee and so

supply venture as well as loan capital would be able to do much to stimulate increased productive investment in the private sector. The charter of the new Corporation requires a minimum membership of 30 countries, whose capital subscriptions total at least \$75 million, before it can come into being; as of now, 19 countries, whose subscriptions aggregate over \$57 million, have completed the necessary formalities. The amount of capital at IFC's disposal will not be large in relation to the world's needs for the type of financing which it will provide. But IFC will always be investing in partnership with private capital and it will seek to revolve its own funds as rapidly as possible by selling its investments to private interests whenever it can do so at a reasonable price. In this manner, we hope that IFC, despite its relatively modest capital, may be able to generate a substantial flow of investment from other sources. Detailed plans for the organization and staffing of IFC are being prepared by the staff of the Bank and I anticipate, therefore, that the new Corporation will be in a position to consider investment proposals quite promptly after it comes into existence.

II.

Let me turn now from this review of the Bank's own activities to a consideration of some broader issues.

In all long-term endeavors -- and our common labors to promote economic development are no exception -- it is useful at intervals to stand away from the problems upon which we have been concentrating, to look back on the path along which we have come and to examine afresh the direction and pace of our progress. Today's debate, coming as the Bank is about to complete its first ten years of operations, seems to me an appropriate occasion for just such a taking of our bearings.

When the Bank opened its doors for business in June 1946, the economic situation in the world -- and I am talking today of that part of the world

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 progress... Today's debate, ending at the Bank as usual to complete the first
 ten years of operations, seems to me an appropriate occasion for that such a
 taking of our bearings...
 When the Bank opened its doors for business in June 1946, the economic
 situation in the world -- and I am talking today of that part of the world

represented by the Bank's 58 member countries -- was dark indeed. Productive facilities throughout Western Europe and in parts of Asia had been devastated to an extent unparalleled in previous experience. Normal trade patterns had been seriously disrupted; governmental and industrial organizations had not yet recovered from wartime dislocations; and in many countries there was a pervasive mood of spiritual exhaustion. Even among those nations which had escaped the direct ravages of war, many were suffering from the cumulative effects of undermaintenance and underinvestment and from the distortions in their economies which resulted from the material shortages and inflationary pressures of the war period.

Complicating the situation, too, then and since, have been political problems of no mean magnitude. I refer not just to international tensions, serious as these have been and causing as they have a substantial diversion of resources from productive to military purposes. I refer also to the need for establishing wholly new administrative mechanisms in areas just emerging from colonial rule and in many cases suffering from a grave shortage of trained administrators.

I recall these facts to you now because the change in the world picture which has occurred in the last decade is so drastic, so dramatic in nature and extent, that we are apt to forget the difficulties which a few short years ago loomed so large and threatening.

What does the record show? In just three or four years, from 1946 to 1949, productive capacity in most of the world regained its prewar level. By 1949, industrial output in Western Europe had caught up with the prewar peak year of 1937, and agriculture in all major regions of the world was about to reach the 1934/38 level of production.

This was an impressive achievement. It confounded the prophets of gloom who had freely predicted that Europe had lost its vitality and was in a period of continuing decline. And it proved the foresight of those leaders on both

represented by the fact that 25 million copies of the book had been
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This was an impressive achievement. It reflected the progress of human
 and the fact that Europe had lost its vitality and was in a period
 of economic stagnation. It proved the foresight of those leaders on both

sides of the Atlantic who were convinced that, given the substantial support of American aid through the Marshall Plan, Europe could again assume a position of economic strength in a competitive world economy.

One might have expected that at this point, when the work of reconstruction was largely done, there would have been a levelling off of the pace of expansion and that the rate of growth would revert to prewar levels. But in fact, nothing of the kind occurred; every set of figures which we have been able to compile tells the story of an economic advance since 1949 almost without parallel in modern history.

Take, for example, the case of industry. In the period from 1913 to 1948/49, world manufacturing output grew by less than 2-1/2% per annum; since then, it has grown at the extraordinary rate of over 6% per year. It is a striking fact that, by the end of 1955, the world's manufacturing output was almost twice as high as prewar.

Interestingly enough, there has also been a sharp increase in food production. From 1913 to 1948/49, the average growth was just over 1% per year; since then, thanks largely to increased productivity, the annual increase has been 2-1/2%, or more than twice as much.

We have checked these aggregate figures by taking other indicators of growth -- energy supply, steel output, grain production, gross national product -- and they all support the conclusion that commodity output in the world as a whole has grown at a faster rate, both since the war and since 1949, than in any other comparable period. Indeed, in spite of substantial differences from country to country, and with a few notable exceptions, the postwar rate of growth in almost every country for which records are available has been above its past long-term growth rate.

These production increases have been accompanied by a corresponding expansion of international trade. Since 1948/49, despite the absence of full convertibility of currencies, despite trade barriers, the volume of world

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trade has been growing at the unprecedented rate of 6% per year -- a rate substantially above the long-term growth trend of the past century.

There is not time today to analyze all the many factors which have contributed to this remarkable progress. Certainly a large role was played by the high level of investment, both public and private, which in turn brought about striking improvements in productivity. A large role, too, was played by the maintenance, in most countries through most of the postwar period, of economic and financial policies conducive to full employment. And while there have been undesirable artificial stimuli in some countries and during some parts of the period -- inflation and the Korean war are the examples which come most readily to mind -- the relative ease with which readjustments have generally taken place as and when these temporary stimuli were removed has been most encouraging.

The global figures which I have cited conceal, of course, substantial regional and national differences in the rate of advance. Yet it is worth noting that, contrary to popular belief, the greatest advances have not always been achieved by those countries already furthest advanced. The rate of growth in Latin America since the war, for example, has been faster than in Europe, and faster in Europe than in the United States. Thanks in part to favorable changes in the terms of trade, the Latin American countries as a group have increased their gross national product by something like 5-1/2% per annum, compared with roughly 5% in Europe and 4% in the United States. I have been unable to obtain comparable data for Asia; but we do know that the rate of investment has gradually been rising in India, and the same is probably also true of Pakistan. Certainly all of us familiar with developments in Southeast Asia and the Middle East can bear witness, with or without supporting statistics, that the rate of investment activity and the resultant output are, broadly speaking, higher than those areas have known during our lifetime.

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There is not time today to analyze all the ways factors which have contributed to this remarkable progress. Certainly a large role was played by the high level of investment, both public and private, which in turn brought about striking improvements in productivity. A large role, too, was played by the maintenance, in many countries, through most of the postwar period, of sound and liberal financial policies conducive to high employment. And while there have been undeniable and vital efforts in some countries and during some parts of this period -- particularly in the case of the examples which come most readily to mind -- the relative ease with which restrictions have generally been placed on and when these countries finally have removed has been most encouraging.

The global framework as I have cited several, of course, substantial regional and national differences in the rate of recovery. Yet it is worth noting that, contrary to popular belief, the fastest advances have not always been achieved by those countries already richest countries. The rate of growth in Latin America since the war, for example, has been higher than in Europe, and faster in Europe than in the United States. There is also to be noted a favorable change in the terms of trade, the Latin American countries as a group have increased their gross national product by something like 5-10% per annum, compared with roughly 3% in Europe and in the United States. I have been unable to obtain comparable data for Asia; but we do know that the rate of investment has generally been rising in India, and the same is probably also true of Pakistan. Certainly all of us familiar with developments in Southeast Asia and the Middle East can bear witness, with or without supporting statistics, that the rate of investment activity and the resulting output are broadly speaking, higher than those which have been being or likely to be.

I do not wish what I have said to give a false impression. The post-war rate of growth, however encouraging in itself, is certainly no cause for complacency. In the first place, due to population increases, the rate of growth in per capita incomes has been far lower than the rate of increase in national income. And even more important, despite the postwar growth, the absolute size of the national income in large parts of the world is still abysmally low.

Yet it remains true that we have been living through a period of very rapid expansion and most of the elements of strength which have characterized the past few years appear to have been long-term and not temporary factors. As a conservative banker, I would be the last to suggest that we should proceed on the assumption that the postwar rate of growth will necessarily continue unabated. To the contrary, caution requires that in making our long-term plans, we take into account the possibility that growth may be interrupted somewhat more frequently and more disturbingly than has been the case since the war. Nonetheless, given freedom from any major hostilities and reasonable adherence to the kind of policies I shall mention later, the prospect appears to be that we may go on enjoying a high rate of increase in production, income and trade.

Forecasting future economic growth is always chancy business. Yet the Bank, as a lending agency making loans of 15, 20 and 25 years' duration, is necessarily committed to the future in many parts of the world and we are committing ourselves more deeply every year. In undertaking those commitments, we must make assumptions as to the likely trend of economic developments and among the assumptions we do make are the following, taking as given that there will be no major war:

(1) So far as concerns the United States and Western Europe, the prospect appears to be for continued substantial increases in productivity and for continued high demand. If, to be conservative, one applies a substantial

I do not wish what I have said to give a false impression. The post-war rate of growth, however, exceeding in itself, is certainly no cause for complacency. In the first place, the rate of population increase, the rate of growth in per capita income has been far lower than the rate of increase in national income. And even were the latter, outside the post-war growth, the absolute rate of the national income in large parts of the world is still abysmally low.

Yet it remains true that we have been living through a period of very rapid expansion and most of the elements of strength which have characterized the past few years appear to have been laid down and not temporary factors.

As a conservative banker, I shall be the last to suggest that we should proceed on the assumption that the post-war rate of growth will necessarily continue unabated. To the contrary, caution requires that in making our long-term plans, we take into account the possibility that growth may be interrupted somewhat more frequently and more abruptly than has been the case since the war. Nevertheless, given present and past trends, it is reasonable to expect to a measure to the kind of stability I shall mention later, the prospect appears to be that we may go on enjoying a moderate rate of increase in production, income and trade.

Regarding future economic growth in these things, however, let us look at a leading agency making loans of \$2, 50 and \$5 years' duration, is necessarily directed to the future in very much of the same way as the conflicting ourselves more than every year. In undertaking these commitments we must make provision as to the likely trend of economic developments and among the assumptions we do make are the following, being as given that there will be no major wars:

- (1) So far as concerns the United States and Western Europe, the post-war period appears to be for continued substantial increases in productivity and for continued high demand. If, to be conservative, we stipulate a substantial

discount to the postwar rate of expansion, it is still difficult to foresee an over-all growth rate of less than 3 - 3-1/2% per year, and it may well be higher. Even taking the lower figure, this would mean roughly a doubling of the national income of the United States and Western Europe in just over 20 years.

(2) Continued economic expansion in the industrialized countries should, of course, provide a continued high demand for the raw materials and agricultural products exported by the underdeveloped countries. So far as concerns Latin America, this is likely to be of particular benefit to the metal-producing countries. Growth in Latin America's income from agricultural production is likely to be lower in the years ahead than in those just past because the highly favorable postwar movements in the terms of trade for agricultural products are not apt to be repeated; the countries producing coffee and wheat, for example, may well have some difficult problems of readjustment. On the other hand, the potentialities for further industrial expansion in the area seem very substantial and the realization of these potentialities should be aided by the growing trend on the part of the Latin American countries to adopt realistic exchange policies. On the whole, therefore, the prospect in Latin America is for an over-all rate of growth which, although somewhat lower than since 1946, will still possibly remain higher than that of the United States and Europe.

(3) The prospects in Asia and the Middle East are more difficult to assess. Past experience gives us reason to believe, however, that those countries whose governments are pushing development in an orderly fashion and with continuity of purpose are likely to maintain a rapid rate of growth. India and Japan are cases in point. Even if India should not be able to reach the target of a 4-1/2 - 5% annual increase in total production set in the second Five Year Plan, there is little doubt that it will at least realize an expansion of national income at a higher rate than heretofore and

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substantially greater than the rise in population. Many of the other Asian countries have also taken important steps to organize themselves for a systematic and sustained development effort, the effects of which should be considerable in the next decade or two. The oil-producing countries of the Middle East are, of course, in a good financial position to advance their development programs at a faster pace than during the past ten years, and in the other countries of the Middle East, too, there appears to be a greater and more vigorous push than before to expand productive output. As I have already indicated, the prospects for different countries vary greatly -- important producers of wheat and cotton, for example, may suffer more in the future than they have up to now -- but over-all our impression is that the economies of Asia and the Middle East will grow more rapidly than in the past, although as a group they are not likely soon to reach the rate of growth of the industrial world.

(4) Time does not permit me to undertake any comparable discussion of other important areas comprehended within the Bank's membership, such as Africa, but I do want to state that, in our opinion, the rate of expansion in Africa is likely to be at least as high as it has been since the war, and for most African countries probably noticeably higher.

The picture I have drawn is, I know, one of dynamic growth; but in assessing trends we have taken, as the Bank necessarily must, a conservative view of the factors which in our opinion are likely to be operative. Indeed, if I were to venture a personal opinion as to the likely shape of things to come, rather than describing the assumptions made by the Bank as the basis for its long-term decisions, I might well be even more optimistic.

III.

What, then, is the significance of all this for the economic development effort as a whole and for the operations of the Bank in particular? The important thing is, I think, that the underdeveloped countries, as a group, in

substantially greater than the rise in population. Many of the other Asian countries have also taken important steps to organize themselves for a systematic and sustained development effort, the extent of which should be considerable in the next decade or two. The African countries of the Middle East are, of course, in a good financial position to advance their development program at a faster pace than during the past ten years, and in the other countries of the Middle East, too, there appears to be a greater and more vigorous push than before to expand productive output. As I have already indicated, the prospects for different countries vary greatly -- important producers of wheat and cotton, for example, may suffer more in the future than they have up to now -- but overall our impression is that the economies of Asia and the Middle East will grow more rapidly than in the past, although as a group they are not likely soon to reach the rate of growth of the industrial world.

(2) The good news is that we do not have any convertible currencies of other important areas commensurate with the Bank's membership, and as Africa, but I do not want to state that, in our opinion, the rate of expansion in Africa is likely to be at least as high as it has been since the war, and for most African countries, probably noticeably higher.

The picture I have drawn is, I think, one of dramatic growth, but in assessing trends we have taken, as the Bank necessarily does, a conservative view of the factors which in our opinion are likely to be operative. Indeed, if I were to venture a personal opinion as to the likely range of things to come, rather than describing the assumptions made by the Bank as the basis for its economic decisions, I might well be even more optimistic.

III

... is the significance of all this for the economic develop- ment of the world as a whole and for the operation of the Bank in particular? The ... that the ...

planning their development activities, should be able to look forward with confidence to the support which an expanding world economy and an expanding world trade can supply. This expansion should provide, too, a favorable environment for the introduction of new techniques into those underdeveloped countries willing and able to take the necessary steps to encourage productive investment. And it should mean, in those same countries, greater scope for Bank investment as the tempo of their economic activity increases and with it their need for basic capital facilities.

But let me emphasize that the extent to which any particular country is likely to benefit from expanding world output and expanding world trade will be largely determined by its governmental policies. I have in mind principally those policies which directly affect the investment climate and particularly the climate for private investment, both local and foreign.

Creation of a favorable climate for private investment means many things. It means maintenance of economic and financial stability. It means release of individual initiative by giving private citizens a greater incentive to invest through such measures as reform of land tenure systems and comparable changes in the social structure. It means encouraging private enterprises to take risks by assuring them the opportunity to earn appropriate returns over a long period if they are successful in their operations. It means resisting excessive nationalistic tendencies which, however emotionally understandable in the light of their origins, nonetheless effectively retard the inflow of foreign capital and prevent the potential recipient country from realizing the economic advantages which such investment could bring.

I attach great importance, too, to the willingness of the governments of underdeveloped countries to take the long view, to foreswear spectacular short-term achievements in favor of more fundamental long-term objectives such as general education, the training of technicians at all levels, and the creation of a competent and effective public service.

planning these development activities, and it is also to look forward with confidence to the future with an expanding world economy and an expanding world market. This expansion will provide for a favorable environment for the introduction of new products into those underdeveloped countries which are able to take the necessary steps to encourage productive investment. And it is also to look forward to those countries which are able to take the necessary steps to encourage productive investment.

But let us emphasize that the extent to which an industrial country is likely to benefit from expanding world output and expanding world trade will be largely determined by its international policies. I have to state plainly that these policies which directly affect the investment climate and thereby help the climate for private investment, both local and foreign.

Creation of a favorable climate for private investment means long term. It means maintenance of sound and financial stability. It means release of individual initiative by doing away with a greater incentive to invest through such means as reform of land tenure system and curbing changes in the social structure. It means encouraging private enterprises to take risks by ensuring that the government is not an overbearing partner over a long period if they are successful in their operations. It means reducing excessive nationalistic tendencies which, however well-intentioned, in the light of their original intentions effectively retard the flow of foreign capital and prevent the essential recipient country from realizing the economic advances which such investment could bring.

I stand great tribute, too, to the willingness of the governments of underdeveloped countries to take the long view, to forego short-term short-term achievements in favor of new fundamental long-term objectives such as general education, the training of technicians at all levels, and the creation of a vigorous and effective public service.

And I would stress, finally, the great importance to the development effort of action by the industrial nations to bring about a further reduction of trade barriers and to assure an adequate flow of investment capital to those underdeveloped countries which show themselves ready to welcome it and to employ it effectively.

Yes, we have made significant progress in the postwar decade, but much remains to be done if we are to solve the basic problems of development satisfactorily. Yet the progress made up to now demonstrates that those problems are not intractable. At the very least, it justifies the expectation that continued and intensified efforts to accelerate the pace of development may in time achieve their objective.

And I would stress, finally, the need to continue to the development
 effort of action by the industrial nations to bring about a further reduction
 of trade barriers and to secure an adequate flow of investment capital to
 those underdeveloped countries which have the capacity to absorb it and
 to employ it effectively.

Yes, we have made significant progress in the poorest areas, but more
 remains to be done if we are to solve the basic problems of development everywhere.
 Yet the progress made up to now demonstrates that these problems
 are not insurmountable. At the very least, it justifies the conviction that
 sustained and intensified efforts to accelerate the pace of development may in
 time achieve their objective.

BANCO INTERNACIONAL DE
RECONSTRUCCION Y FOMENTO

PARA LA PRENSA

Discurso de Mr. Eugene R. Black, Presidente del Banco Internacional de Reconstrucción y Fomento, ante la XXI Sesión del Consejo Económico y Social de las Naciones Unidas, en Nueva York.



(NO DEBE DISTRIBUIRSE ANTES DE QUE COMIENZE A SER PRONUNCIADO, LO CUAL DEBE OCURRIR MAS O MENOS A LAS 10:30 A.M. DEL MIERCOLES, 18 DE ABRIL DE 1956)

Esta es la séptima ocasión en que me ha correspondido el privilegio de presentarme ante el Consejo para hablar de la labor del Banco Mundial. Siempre me ha agradado esta ocasión de intercambiar ideas con ustedes sobre las actividades y la política del Banco y sobre algunos de los más importantes problemas del fomento que nos preocupan tan a fondo.

Tienen ustedes delante el Informe Anual de nuestro año fiscal que terminó en junio pasado, y el informe suplementario que se refiere a las actividades hasta enero. No trataré de referirme hoy a toda la gama de las actividades descritas en esos documentos; en cambio, me agradecería analizar aquellas actividades que en mi opinión han sido las más interesantes de nuestra actividad en el período.

En el pasado año fiscal el Banco prestó \$410 millones — la más alta cifra hasta hoy — para propósitos de fomento. Desde entonces hemos hecho otros 17 préstamos por \$157 millones. Estos préstamos representan un substancial ensanche geográfico de nuestras operaciones, ya que prestamos en 7 países o territorios en los cuales no habíamos tenido actividad anterior — Africa Occidental, Argelia, Austria, Ceilán, Guatemala, Honduras y el Líbano. Los préstamos llegan hoy a 44 y montan a cerca de \$2,500 millones, y han ayudado a financiar proyectos en 41 de los países miembros o sus territorios.

El préstamo más grande de 1955 fué uno de \$70 millones en apoyo de un vasto programa para el desarrollo de la Italia Meridional, programa cuyo costo está calculado en unos \$2,000 millones. Aun cuando muy extenso en su escala, el programa ha sido hábilmente planeado y viene adelantándose con vigor e inteligencia; y por ello ha cautivado la imaginación y el apoyo del pueblo italiano. El Banco había hecho antes otros dos préstamos de \$10 millones para el proyecto y esta nueva financiación es prueba de que la operación va viento en popa. En mi sentir, este préstamo se distingue entre las financiaciones habituales del Banco debido al hondo impacto que el programa ha de tener sobre la economía toda de un importante país miembro. Quisiera agregar que estamos considerando otros dos proyectos más que bien pueden tener similares efectos de grande alcance en el proceso del desarrollo de los países afectados; me refiero al proyecto de la Presa High cerca de Aswan en Egipto y al proyecto de desarrollo de energía de Kariba en Rodesia.

En el año pasado también se registró una considerable actividad en el programa de ayuda técnica del Banco. Fueron publicados los informes de dos misiones generales de estudio sobre Malaca y Siria; está pronto a completarse otro informe similar sobre Jordania. Entre otras actividades, ayudamos a Irán a conseguir personal técnico para su Plan de Reorganización; ayudamos al Ecuador a establecer un Consejo de Planeación y Coordinación Económica; enviamos varias misiones a Colombia; y ayudamos a México a llevar adelante un estudio muy completo de sus requerimientos de fuerza eléctrica. A solicitud del Gobierno italiano, hemos enviado una misión del Banco a la Somalilandia italiana y confiamos en que el informe ha de ser de utilidad para las futuras deliberaciones del Consejo de Fideicomiso sobre ese territorio.

El programa más grande de 1952 fue uno de 170 millones en apoyo de un vasto programa para el desarrollo de la Italia Meridional, programa cuyo costo está calculado en unos 65,000 millones, tan cuanto muy extenso en su escala, el programa ha sido hábilmente planeado y viene adelantándose con vigor e inteligencia y por ello ha cautivado la imaginación y el apoyo del pueblo italiano. El punto más reciente sobre este programa de 170 millones para el proyecto y está en un momento de prueba de que la operación va viento en popa. En el sentido, esta prueba es bastante entre las líneas técnicas habituales del Banco debido al hecho inusual que el programa de la zona sobre la economía está en un momento más que probable. Existen algunos programas considerados otros dos proyectos más que bien pueden tener similares efectos de gran alcance en el proceso del desarrollo de los países afectados; me refiero al programa de la Free High como de apoyo en África y al proyecto de desarrollo de energía de Kariba en Zimbabue.

En el año pasado también se realizó una considerable actividad en el programa de ayuda técnica del Banco. Hanse publicado los informes de las misiones generales de estudio sobre México y Siria; está pronto a completarse otro informe similar sobre Jordania. Entre otras actividades, se continuó a irán a conseguir personas técnicas para un Plan de Reorganización y se continuó al buscar a especialistas en Consejo de Ministros y Gobernación. Recientemente enviamos varias misiones a Colombia y seguimos a México a llevar adelante un estudio muy completo de sus requerimientos de fuerza eléctrica. A solicitud del Gobierno Italiano, hemos enviado una misión del Banco a la República Italiana y colabora en que el informe ha de ser de utilidad para las futuras deliberaciones del Consejo de Fideicomisos sobre ese territorio.

Hemos continuado participando activamente en las discusiones sobre el uso de las aguas de la cuenca del Indo, adelantadas en Wáshington bajo los auspicios del Banco, entre delegaciones de los gobiernos de la India y Pakistán. Estas importantes negociaciones continúan, y confío en que han de producir resultados favorables; ya han producido dos convenios interinos entre los gobiernos sobre las dos últimas cosechas. En la actualidad tenemos también misiones en la India y en Pakistán que realizan extensas investigaciones sobre sus respectivos planes de fomento.

El último desarrollo en nuestras actividades de ayuda técnica ha sido el establecimiento, con la ayuda financiera de las Fundaciones Ford y Rockefeller, de un Instituto de Desarrollo Económico, que abrió su primer curso en Wáshington en enero de este año. Obviamente, el desarrollo económico de cualquier país depende en buena parte para su buen éxito de la habilidad de los altos funcionarios de responsabilidad al adoptar una política económica adecuada y al ejecutar con eficacia los programas de desarrollo. Las áreas subdesarrolladas no cuentan con suficiente personal preparado y es de vital importancia que esa escasez de personal se remedie lo antes posible. El propósito del Instituto es el de ayudar a la conquista de este objetivo ofreciendo cada año un curso concentrado de estudios sobre programas de fomento a un grupo selecto de altos funcionarios de los países miembros. En el primer curso participan 14 funcionarios y yo creo que es mucho lo que ellos están aprendiendo los unos de los otros y de las varias personalidades del mundo oficial financiero y académico que han conducido seminarios en el Instituto o dictado conferencias sobre asuntos de especial interés. Aun cuando las facilidades del Instituto pueden ponerse solamente al alcance de un número limitado de participantes por año, confío en que con el correr del tiempo los efectos de su trabajo serán de honda y progresiva significación.

En consecuencia, el presente informe tiene por objeto informar a la
 Junta de Gobierno de la Universidad de la Habana sobre el estado de
 los trabajos de la Oficina de Estudios y Estadística, durante el
 período comprendido entre el 1 de enero de 1964 y el 31 de
 diciembre de 1964.

En primer lugar, se debe señalar que durante el período en
 cuestión, la Oficina de Estudios y Estadística ha cumplido con
 sus funciones de manera satisfactoria, realizando un gran número
 de trabajos de carácter científico y técnico, que han permitido
 obtener una gran cantidad de datos estadísticos, que sirven de
 base para el análisis de la situación económica y social del
 país.

En segundo lugar, se debe mencionar que durante el período en
 cuestión, la Oficina de Estudios y Estadística ha participado
 activamente en los trabajos de la Comisión de Estadística
 Nacional, que tiene por objeto la unificación de los métodos
 y procedimientos estadísticos en el país.

En tercer lugar, se debe señalar que durante el período en
 cuestión, la Oficina de Estudios y Estadística ha realizado un
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Oficina de Estudios y Estadística

Me place informar que continúan en buen orden las finanzas del Banco. Los pagos de capital e intereses han sido hechos sin interrupción y las reservas del Banco montan ahora a cerca de \$216 millones, que incluyen más de \$70 millones llevados a la Reserva Especial.

En el año pasado gozamos del creciente apoyo del mercado de inversión privado. Hay instituciones financieras que muestran un mayor interés no sólo en comprar porciones de los préstamos de nuestra cartera sino también en participar en nuestros préstamos en el momento de hacerlos. En verdad, hemos tenido participaciones de uno o más bancos sin nuestra garantía en 27 de los 37 préstamos que hemos hecho desde mediados de 1954, por un total de \$40 millones. Igualmente estimulante ha sido la tendencia, tanto en las participaciones como en las ventas de cartera, a abarcar vencimientos más lejanos. También quiero llamar la atención al monto de los nuevos fondos que han sido puestos a la disposición del Banco para sus operaciones, por los países de fuera del área del dólar. En 1955 más del 50% de las ventas de cartera fueron colocadas fuera del área del dólar. Aun cuando en el año no hubo emisiones de bonos del Banco en el mercado estadounidense, lanzamos emisiones en Holanda, Suiza y el Canadá por un total equivalente a \$37 millones. Me complace anunciar que todas ellas tuvieron éxito completo.

Recientemente ha habido diversos indicios de un despertar del interés de parte del capital privado en las inversiones de ultramar. El año pasado, por ejemplo, se crearon varias instituciones privadas de inversión externa, con respaldo de casas de banca experimentadas en varios países. Y aun cuando el flujo efectivo de nuevas inversiones privadas en el exterior no ha ido con gran celeridad, entreveo signos alentadores de que los inversionistas vacilantes estén adoptando ahora una actitud más afirmativa.

Los datos de los Estados Unidos para el periodo de 1925 a 1929, inclusive, se refieren a los depósitos en el exterior de los ciudadanos de los Estados Unidos, y no a los depósitos de los extranjeros en los Estados Unidos. En virtud de la Ley de Reservas de 1916, los depósitos de los ciudadanos de los Estados Unidos en el exterior están sujetos a la reserva de 10 por ciento, y los depósitos de los extranjeros en los Estados Unidos no están sujetos a la reserva de 10 por ciento. En virtud de la Ley de Reservas de 1916, los depósitos de los ciudadanos de los Estados Unidos en el exterior están sujetos a la reserva de 10 por ciento, y los depósitos de los extranjeros en los Estados Unidos no están sujetos a la reserva de 10 por ciento.

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Considero que todos estos signos son buen augurio para la nueva filial del Banco, la Corporación Financiera Internacional, que espero podrá iniciar labores dentro de pocos meses. El Banco ha venido apoyando la propuesta de la CFI desde su presentación hace 5 años, en la creencia de que una agencia internacional capaz de financiar empresas privadas, sin garantía oficial, y de suministrar capital, mediante préstamos o inversiones directas, podrá hacer mucho por estimular una mayor inversión productiva en el sector privado. La Carta de la nueva Corporación requiere un mínimo de 30 países, cuya suscripción de capital monte al menos a \$75 millones para que pueda iniciar labores. Hasta hoy 19 países cuyas suscripciones suman más de \$57 millones han perfeccionado las formalidades necesarias. El capital a la disposición de la CFI no será grande en relación con las necesidades mundiales para el tipo de financiación que podrá ofrecer, pero la CFI siempre invertirá en asocio del capital privado y tratará de que sus fondos circulen lo más rápidamente posible al vender sus inversiones a particulares cuando quiera que pueda hacerlo a un precio razonable. Confiamos así en que la CFI, a pesar de su capital relativamente modesto, podrá generar un flujo cuantioso de inversiones de otras fuentes. Los planes detallados de la organización y manejo de la CFI están siendo preparados por el personal del Banco y confío, por consiguiente, en que la nueva Corporación estará en posición de considerar propuestas de inversión tan pronto como pueda funcionar.

II

Permítaseme ahora pasar de la revista de las actividades del Banco a la consideración de otros temas más generales.

En todo empeño a largo plazo -- y nuestros trabajos conjuntos para promover el desarrollo económico no constituyen excepción -- es útil alejarse de cuando en cuando de los problemas inmediatos, para mirar en retrospecto

Conforme que todos estos tipos son para ser la nueva forma del banco, la idea de tener un banco internacional, que sea para el mundo entero, es algo que se debe tener en cuenta. El banco debe ser un instrumento de trabajo, un instrumento de trabajo que sea útil para todos. El banco debe ser un instrumento de trabajo que sea útil para todos. El banco debe ser un instrumento de trabajo que sea útil para todos.

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II

Respecto a las actividades de la revista de los trabajadores del banco, la idea es que sea una revista que sea útil para todos. La revista debe ser un instrumento de trabajo que sea útil para todos. La revista debe ser un instrumento de trabajo que sea útil para todos.

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la ruta que hemos traído y reexaminar la dirección y la marcha de nuestro progreso. El debate de hoy, que ocurre cuando el Banco está a punto de completar 10 años de funcionamiento, me parece ocasión propicia para una recapitulación de esta índole.

Cuando el Banco abrió sus puertas en junio de 1946, la situación económica del mundo -- me refiero a la parte del mundo que forman los 58 países miembros -- era, en verdad, oscura. Las facilidades de producción en la Europa Occidental y en partes del Asia habían sido devastadas hasta un punto sin paralelo en las experiencias anteriores. Los canales normales del comercio se hallaban seriamente interrumpidos; las organizaciones gubernamentales e industriales no se habían repuesto aún de las dislocaciones de la guerra y muchos países padecían de una profunda depresión espiritual. Aun en aquellas naciones que habían escapado a los rigores directos de la guerra, muchos sufrían de los efectos de la submanutención, la subcapitulación y de las alteraciones en sus economías resultantes de la escasez de materiales y de las presiones inflacionarias del período bélico.

Para complicar esta situación, además, de entonces a hoy han surgido problemas políticos de no poca magnitud. No me refiero tan sólo a las tensiones internacionales, por más serias que hayan sido, y por más que hayan causado un cuantioso desvío de recursos de propósitos productivos a propósitos militares. Me refiero también a la necesidad de establecer mecanismos administrativos completamente nuevos en áreas que están apenas surgiendo de la era colonial y que en muchos casos sufren de una grave escasez de administradores adiestrados.

Traigo ahora a cuento ante ustedes textos hechos porque el cambio en el panorama universal ocurrido en la última década es tan drástico, tan dramático

la idea de que el mundo es un todo y que el progreso y la cultura son el resultado de la actividad humana. El mundo es un todo y el progreso es el resultado de la actividad humana. El mundo es un todo y el progreso es el resultado de la actividad humana.

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en su naturaleza y extensión, que bien podríamos olvidarnos de las dificultades que hace apenas pocos años se mostraban tan inmensas y amenazadoras.

¿Y qué ha ocurrido desde entonces? En unos tres o cuatro años, desde 1946 a 1949, la capacidad productora de la mayor parte del mundo ha reconquistado su nivel de preguerra. Hacia 1949 la producción industrial de la Europa Occidental llegó al máximo de preguerra logrado en el año 1937 y la agricultura en todas las principales regiones del mundo estaba a punto de llegar al alto nivel de producción de 1934-38. Fué una realización impresionante. Sirvió para confundir a los profetas del infortunio que pregonaban a diestra y siniestra que Europa, perdida su vitalidad, había entrado en un lapso de continua decadencia. Y se comprobaron los vaticinios de aquellos conductores de ambos lados del Atlántico que estaban convencidos de que, con el valioso apoyo de la ayuda estadinense al través del Plan Marshall, Europa podría de nuevo asumir su fuerte posición económica dentro de la economía mundial de competencia.

Uno pudiera haber esperado que entonces, cuando el trabajo de reconstrucción estaba prácticamente hecho, hubiera llegado un momento de disminución en el ritmo de la expansión y que la tasa de crecimiento hubiera regresado a los niveles de preguerra. Pero, en realidad, nada de ello ocurrió; todas las cifras que hemos podido compilar cuentan el cuento de un avance económico desde 1949 casi sin paralelo en la historia moderna.

Tomemos, por ejemplo, el caso de la industria. En el período de 1913 a 1948-49, la producción manufacturera mundial creció menos del 2-1/2% por año; desde entonces, ha crecido al ritmo extraordinario de más del 6% anual. Es un hecho protuberante que hacia el fin del año 1955 la producción manufacturera mundial casi doblaba la de preguerra.

También es interesante registrar el agudo incremento en la producción de alimentos. Desde 1913 a 1948-49 el promedio de aumento apenas pasaba del 1%

en su naturaleza y extensión, por sus potenciales diversidades de las dificultades
de los que hace años se venían enfrentando las industrias y manufacturas.

En los últimos años se han observado en las industrias y manufacturas, desde
1966 a 1973, las tendencias de la mayor parte del mundo de la econ-
omía en el nivel de producción. Hasta 1969 la producción industrial de la
Unión Soviética llegó al máximo de producción logrado en el año 1957 y la
agricultura en los países industrializados del mundo estaba a punto de
llegar al alto nivel de producción de 1958-59. Tras una realización incre-
dible, alivió para contribuir a los problemas del mundo que programan-
do a distorsión y distorsión por las que, por lo que en realidad, había entrado en
un lapso de continua decadencia. Y se convirtieron los valores de exportación
comerciales de estos países del mundo de las exportaciones convencionales de que, con
el valor que de la zona este de Europa al través del Canal de Suez, por lo
tanto de nuevo se abrió un frente potencialmente nuevo de la economía
mundial de comercio.

Los países han estado que, entonces, cuando el trabajo de re-
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También es interesante registrar el rápido incremento en la producción de
alimentos. Desde 1969 a 1973-74 el mundo ha aumentado su producción de 12

al año; desde entonces gracias en buena parte al incremento de la productividad, el aumento anual ha sido de 2-1/2%, o sea más del doble.

Hemos cotejado estas cifras al considerar otros signos de crecimiento -- suministro de energía, producción de acero, producción de granos, producto bruto nacional -- y todos estos factores respaldan la conclusión de que la producción de bienes en el mundo en general ha crecido a un ritmo más rápido, tanto desde la guerra como desde 1949, que en cualquier otro período comparable. En verdad, a pesar de las profundas diferencias entre país y país y con unas pocas notables excepciones, la tasa de crecimiento de postguerra en casi todos los países que disponen de estadísticas, ha estado por encima de su tasa anterior de crecimiento a largo término.

Estos incrementos de producción han ido acompañados de una expansión correspondiente del comercio internacional. Desde 1948-49, a pesar de la ausencia de convertibilidad total de las monedas, a pesar de las barreras comerciales, el volumen del comercio mundial ha ido creciendo a la tasa sin precedentes del 6% anual, que está bien por encima del ritmo de crecimiento a largo término del siglo pasado.

No hay tiempo hoy de analizar todos los factores que han contribuido a este notorio progreso. Ciertamente que al alto nivel de la inversión tanto pública como privada, le corresponde buena parte, y esta alta inversión trajo consigo sorprendentes mejoras en la productividad. También fué de importancia el papel que jugó el mantenimiento, en numerosos países, al través de la mayor parte del período de postguerra, de una política económica y financiera que produjo el empleo total. Y aun cuando en muchos países ha habido estímulos artificiales indeseables en partes de este período -- la inflación y la guerra de Corea son los ejemplos que vienen a la mente más aprisa -- ha sido muy estimulante la relativa facilidad con que los reajustes han podido lograrse al remover estos estímulos temporales.

al lado de la política exterior, en materia de relaciones internacionales... el momento actual de la vida de la nación...

Las cifras globales que he citado esconden, desde luego, diferencias substanciales, tanto regionales como nacionales, en el ritmo del progreso. Sin embargo, vale la pena registrar que, contra la creencia popular, los mayores progresos no siempre han sido logrados por los países ya más avanzados. Por ejemplo, la tasa de crecimiento en la América Latina desde la guerra, ha sido más rápida que en Europa y más rápida en Europa que en los Estados Unidos. Gracias en parte a los cambios favorables en las condiciones del comercio, los países latinoamericanos como grupo han aumentado su producto nacional bruto en algo así como el 5-1/2% anual, comparado con alrededor del 5% en Europa y 4% en los Estados Unidos. No he podido obtener cifras comparativas respecto al Asia; pero sabemos que la tasa de inversiones ha ido creciendo gradualmente en la India y lo mismo es quizá cierto con respecto a Pakistán. En realidad aquéllos de nosotros que estamos familiarizados con los desarrollos en el sudeste asiático y en el Cercano Oriente, podríamos atestiguar, con o sin el apoyo de estadísticas, que la tasa de la actividad inversionista y la producción resultante son, en general, más altas de las que esas áreas han experimentado en nuestro tiempo.

No quiero dar con lo dicho una falsa impresión. El ritmo de crecimiento de postguerra por muy estimulante que sea en sí mismo, no es motivo de complacencia. En primer lugar, debido al crecimiento de población, la tasa de crecimiento en la renta per capita ha sido mucho más baja que la tasa de crecimiento en la renta nacional. Y lo que es aún muy importante, a pesar del crecimiento de postguerra, el tamaño absoluto de la renta nacional en extensas partes del mundo es todavía profundamente bajo.

Con todo, sigue siendo cierto que hemos vivido un período de muy rápida extensión y muchos de los elementos de vigor que han caracterizado los últimos 10 años se nos presentan como factores no temporales sino a largo término.

Las otras medidas que se citan a lo largo de este documento, desde luego, difieren en sus alcances, tanto geográficos como económicos, en el tiempo del progreso. Sin embargo, vale la pena registrar que, contra la creencia popular, los países progresos no siempre han sido los primeros por los países ya más avanzados. Por ejemplo, la tasa de crecimiento en la actividad física desde la guerra en alto más rápida que en la zona y más rápida en Europa que en los Estados Unidos, gracias en parte a los cambios favorables en las condiciones del comercio. Los países latinoamericanos como grupo han aumentado su producto nacional bruto en algo así como el 5-1/2% anual, comparable con el promedio del 5% en Europa y 4% en los Estados Unidos. No se podría obtener cifras comparativas respecto al nivel de vida que la tasa de inversión en los sectores de manufacturas en la zona y lo hace en algún grado comparable con respecto a Estados Unidos. En realidad, algunas de nuestras estadísticas comparativas con los desarrollados en el mundo existían y en el terreno de la actividad física, con o sin el apoyo de estadísticas, que la tasa de la actividad física y la productividad física son, en general, más altas en las zonas que en los países desarrollados. El estudio de las zonas de desarrollo físico, al igual que el estudio de los países de progreso por sus estadísticas que son en sí mismas, no es relativo de carácter condicional. De hecho, debido al crecimiento de actividad física, la tasa de crecimiento en la zona por capita ha sido mucho más alta que la tasa de crecimiento en la zona nacional. Y lo que es aún más importante, a pesar del crecimiento de actividad física, el nivel de vida de la zona nacional en términos de actividad física es todavía considerablemente más bajo. Sin embargo, algunos datos sobre el nivel de vida en las zonas de desarrollo físico y muchos de los elementos de valor que han caracterizado los últimos 10 años se han presentado como factores de desarrollo que a largo término,

Como banquero conservador que soy, sería el último en sugerir que podríamos proceder sobre la base de que la tasa de crecimiento de postguerra continuará incontenible. Por el contrario, la cautela requiere que al hacer planes a largo término, tengamos en cuenta que el crecimiento puede interrumpirse con cierta mayor frecuencia y en forma más perturbante de lo que ha ocurrido desde la guerra. Sin embargo, dado un período en que no ocurra una contienda mayúscula y caso de seguir un tipo de política a que me referiré más adelante, parece que existe la perspectiva de que podamos gozar de una tasa alta en el crecimiento de la producción, la renta y el comercio.

Predecir el crecimiento económico futuro es siempre postura arriesgada. Con todo, el Banco, como agencia que hace préstamos a 15, 20 y 25 años, está necesariamente comprometido en el futuro de muchas partes del mundo y se compromete más a fondo todos los días. Al adquirir estos compromisos, tenemos que hacer cálculos sobre las tendencias del desarrollo económico y entre lo que presumimos está lo siguiente, dando por sentado que no habrá una guerra general:

(1) Por lo que hace a los Estados Unidos y a la Europa Occidental, parece que habrá un aumento continuo y considerable en la productividad y en la demanda. Si, para ser conservador, uno descuenta fuertemente la tasa de expansión de postguerra, es difícil prever una tasa de crecimiento general de menos de 3 a 3-1/2% anual, y quizá será mayor. Aun tomando la cifra más baja, ello significaría doblar la renta nacional en los Estados Unidos y en la Europa Occidental en poco más de 20 años.

(2) La continua expansión económica en los países industrializados implica, desde luego, una continua alta demanda de las materias primas y productos agrícolas que exportan los países subdesarrollados. Por lo que hace a la América Latina, esto sería especialmente beneficioso para los países productores de metales. El crecimiento de la renta resultante de productos

Como resultado de esta investigación, se ha observado que el nivel de actividad de los individuos en el grupo de control es superior al de los individuos que forman parte del grupo experimental. Esto se debe a que los individuos del grupo de control no están sometidos a ninguna intervención, por lo que su nivel de actividad se mantiene en su estado natural. En cambio, los individuos del grupo experimental están sometidos a una intervención que les hace perder energía y, por lo tanto, su nivel de actividad disminuye.

Por lo tanto, se puede concluir que la intervención que se está aplicando en el grupo experimental es efectiva para reducir el nivel de actividad de los individuos. Esto es importante porque nos permite entender mejor los efectos de esta intervención y cómo se relacionan con los cambios en el nivel de actividad. Además, esto nos ayuda a comprender mejor los mecanismos que subyacen a estos cambios y a diseñar intervenciones más efectivas en el futuro.

(1) En primer lugar, se debe tener en cuenta que los resultados obtenidos en esta investigación son preliminares y necesitan ser confirmados en estudios más amplios. Además, es importante tener en cuenta que el nivel de actividad puede estar influenciado por muchos factores, por lo que es necesario controlarlos cuidadosamente en los estudios futuros.

(2) En segundo lugar, se debe tener en cuenta que los resultados obtenidos en esta investigación pueden tener implicaciones importantes para la práctica. Por ejemplo, si se confirma que la intervención que se está aplicando es efectiva para reducir el nivel de actividad, esto podría ser útil para diseñar programas de rehabilitación para personas con problemas de actividad física.

agrícolas en la América Latina parece que ha de ser menor en los años venideros que en los recién pasados porque los movimientos altamente favorables de post-guerra, en términos del comercio de productos agrícolas, no parece que hayan de repetirse; los países productores de café y trigo, por ejemplo, pueden tener algunas dificultades de reajuste. De otra parte, las potencialidades para una mayor expansión industrial en el área parecen muy buenas y la realización de estas potencialidades debe ser ayudada por la tendencia creciente por parte de los países latinoamericanos a adoptar una política realista de cambios. En general, por consiguiente, la perspectiva en la América Latina es de una tasa general de crecimiento que, aun cuando un poco menor que la ocurrida desde 1946, continuará siendo posiblemente mayor que la de los Estados Unidos y Europa.

(3) Los prospectos del Asia y del Cercano Oriente son más difíciles de evaluar. La experiencia pasada nos permite pensar, sin embargo, que aquellos países cuyos gobiernos están empujando el desarrollo en forma ordenada y con continuidad de propósito, han de mantener probablemente una rápida tasa de crecimiento. La India y el Japón, sirven de ejemplo. Aun si la India no pudiera lograr su objetivo de un 4-1/2% a un 5% anual de incremento en la producción total fijado en el segundo Plan Quinquenal, hay poca duda de que al menos logrará expandir la renta nacional a una tasa más alta que hasta ahora y substancialmente mayor que el crecimiento de la población. Muchos de los demás países asiáticos han dado también pasos importantes para organizar un esfuerzo sistemático y mantenido de desarrollo cuyos efectos deberán ser considerables en los próximos 10 ó 20 años. Los países productores de petróleo del Cercano Oriente, están, desde luego, en buena posición financiera para avanzar sus programas de fomento a un ritmo más rápido que el de los pasados 10 años y en los otros países del Medio Oriente, también aparecen

agricolas en la medida en que ha de ser menor en los años venideros que en los recientes por los movimientos al alza de los precios de los productos agricolas, en tanto que el comercio de productos agricolas, no puede que haya de ser mayor; los precios de los productos agricolas, por ejemplo, pueden tener algunas dificultades de venta, de otra parte, las potencialidades para una mayor expansion industrial en el area pueden ser buenas y la realizacion de estas potencialidades debe ser ayudada por la tendencia creciente por parte de los países latinoamericanos a adoptar una politica realista de cambios, en general, por consiguiente, la perspectiva en la medida de las cosas de una tasa general de crecimiento que, sin embargo un poco menor que la

contada desde 1960, continuará siendo positiva mayor que la de los países industrializados y Rusia.

(3) Los prospectos del area y del mundo entero son más difíciles de evaluar, en particular cuando se trata de países en desarrollo, que aquellos países que gozan de un alto nivel de desarrollo en forma de ingresos y con una capacidad de producción, han de mantener probablemente una tasa de crecimiento, la cual y el nivel, al menos de estabilidad, en el futuro no puede ser menor en absoluto de un 2-3% anual de crecimiento en la producción total. El área en el campo de la agricultura, hoy por hoy de una alta capacidad de expansión, la zona potencial a una tasa más alta que para el resto y substancialmente mayor que el crecimiento de la producción. Los países de los demás países en desarrollo han de tener también tasas importantes para ellos un esfuerzo adicional y un aumento de desarrollo en los años venideros con considerables en los próximos 10 a 20 años. Los países productores de petróleo del Cercano Oriente, según, desde luego, se pueda producir finalmente para avanzar sus programas de desarrollo a un ritmo más rápido que el de los países IV área y en los otros países del Medio Oriente, también estarán

signos de un mayor y más vigoroso empuje para expandir la producción. Como ya lo dije, los prospectos varían mucho de país a país -- los productores importantes de trigo y algodón, por ejemplo, pueden sufrir en el futuro más que hasta ahora -- pero en general nuestra impresión es que las economías de Asia y el Cercano Oriente crecerán más aprisa que en el pasado, a pesar de que, como grupo, no parece que han de llegar pronto a la tasa de crecimiento del mundo industrial.

(4) No tengo tiempo de emprender una discusión comparable de otras áreas importantes donde hay miembros del Banco, como el Africa, pero sí quiero declarar que, en mi opinión, la tasa de expansión en el Africa ha de ser por lo menos tan grande como ha venido siendo desde la guerra y quizá bastante mayor en muchos de esos países.

Bien sé que he pintado un cuadro de crecimiento dinámico; pero al evaluar las tendencias hemos apreciado con criterio conservador, como el Banco tiene necesariamente que hacerlo, los factores que en nuestra opinión han de intervenir. Si yo quisiera aventurar una opinión personal sobre las perspectivas futuras, en vez de describir los cálculos hechos por el Banco como base para sus decisiones a largo término, bien pudiera resultar más optimista.

III

¿Cuál es, pues, el significado de todo esto para el esfuerzo de desarrollo económico en general y para las operaciones del Banco en particular? Lo importante es, en mi sentir, que los países subdesarrollados, como grupo, al planear sus actividades de fomento, deben tener confianza en el apoyo que pueden significar una economía mundial en expansión y un comercio mundial en expansión. Esta expansión debe producir también un ambiente favorable para la introducción de nuevas técnicas en aquellos países subdesarrollados que

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(b) Los datos que se exponen en el cuadro siguiente demuestran que los precios de los productos agrícolas han bajado considerablemente en los últimos años, lo que ha ocasionado un descenso en el nivel de vida de los productores agrícolas, especialmente de los pequeños productores, que han perdido considerablemente su patrimonio y su capacidad de inversión.

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deseen y puedan dar los pasos necesarios para estimular las inversiones productivas. Y debe significar, en aquellos mismos países, un mayor campo para las inversiones del Banco a medida que aumente la actividad económica y con ella la necesidad de facilidades básicas de capital.

Permítaseme poner de relieve que el punto hasta el cual un determinado país ha de poder beneficiarse de la producción mundial en expansión, será en buena parte determinado por la política gubernamental. Tengo en mente ante todo aquellas decisiones que afecten directamente el clima de inversión y en particular el clima de inversión privada, tanto interna como externa.

La creación de un clima favorable para la inversión privada significa muchas cosas. Significa el mantenimiento de la estabilidad económica y financiera. Significa el permitir la iniciativa individual al darle a los ciudadanos un mayor incentivo para invertir mediante medidas tales como la reforma de los sistemas de tenencia de la tierra y cambios comparables en la estructura social. Significa estimular las empresas privadas a que tomen riesgos al asegurarles la oportunidad de obtener ganancias apropiadas durante un largo período si les va bien en sus operaciones. Significa resistir las tendencias excesivamente nacionalistas que, aun cuando sean comprensivas emocionalmente a la luz de sus orígenes, retardan, sin embargo, efectivamente el influjo de capital extranjero e impiden que el país recipiente en potencia pueda realizar las ventajas económicas que tal inversión pueda traer.

Le doy gran de importancia también a la decisión de los gobiernos de los países subdesarrollados a mirar al futuro lejano, a abandonar las conquistas espectaculares a corto plazo en favor de objetivos más fundamentales a largo término, tales como la educación general, el adiestramiento de técnicos en todos los niveles y la creación de una carrera administrativa efectiva y competente.

... de los países desarrollados, que han alcanzado un alto nivel de desarrollo económico y social, y que han logrado una alta productividad y un alto nivel de bienestar social. Este es el resultado de una serie de factores, entre los que se encuentran: una alta inversión en capital humano y físico, una alta tecnología, una alta eficiencia en la gestión de los recursos, y una alta capacidad de innovación y adaptación a los cambios del entorno. Estos factores han permitido a los países desarrollados alcanzar un alto nivel de desarrollo económico y social, y que han logrado una alta productividad y un alto nivel de bienestar social.

En el caso de los países en desarrollo, la situación es muy diferente. Estos países han alcanzado un bajo nivel de desarrollo económico y social, y que han logrado una baja productividad y un bajo nivel de bienestar social. Esto se debe a una serie de factores, entre los que se encuentran: una baja inversión en capital humano y físico, una baja tecnología, una baja eficiencia en la gestión de los recursos, y una baja capacidad de innovación y adaptación a los cambios del entorno. Estos factores han permitido a los países en desarrollo alcanzar un bajo nivel de desarrollo económico y social, y que han logrado una baja productividad y un bajo nivel de bienestar social.

La diferencia entre los países desarrollados y los países en desarrollo se debe a una serie de factores, entre los que se encuentran: una alta inversión en capital humano y físico, una alta tecnología, una alta eficiencia en la gestión de los recursos, y una alta capacidad de innovación y adaptación a los cambios del entorno. Estos factores han permitido a los países desarrollados alcanzar un alto nivel de desarrollo económico y social, y que han logrado una alta productividad y un alto nivel de bienestar social.

En el caso de los países en desarrollo, la situación es muy diferente. Estos países han alcanzado un bajo nivel de desarrollo económico y social, y que han logrado una baja productividad y un bajo nivel de bienestar social. Esto se debe a una serie de factores, entre los que se encuentran: una baja inversión en capital humano y físico, una baja tecnología, una baja eficiencia en la gestión de los recursos, y una baja capacidad de innovación y adaptación a los cambios del entorno. Estos factores han permitido a los países en desarrollo alcanzar un bajo nivel de desarrollo económico y social, y que han logrado una baja productividad y un bajo nivel de bienestar social.

Pondría de relieve, para terminar, la gran importancia que tiene para el esfuerzo del desarrollo que las naciones industrializadas activen la adopción de medidas necesarias para reducir las barreras al comercio y aseguren un flujo adecuado del capital de inversión hacia los países subdesarrollados que se muestren preparados para acogerlo y emplearlo efectivamente.

Sí, señores, hemos hecho progresos significativos en la década de post-guerra, pero es mucho lo que queda por hacer si hemos de resolver satisfactoriamente los problemas básicos del fomento. Con todo, el progreso hecho hasta ahora demuestra que estos problemas no son insolubles. Al menos, este progreso justifica la expectativa de que un esfuerzo continuo e intenso para acelerar el ritmo de desarrollo logre con el tiempo conquistar su objetivo.

Fondos de reserva, para terminar, la gran importancia que tiene en el estudio del desarrollo que las actividades industriales activan la adopción de nuevas tecnologías para reducir las pérdidas al consumo y aumentar un tipo adecuado del capital de inversión hasta los niveles adecuados con nuestras pretensiones para el futuro y especialmente para el futuro.

El estudio ha sido hecho progresivamente en la década de los treinta, pero es mucho lo que queda por hacer en temas de carácter industrial. En cuanto a las predicciones de los futuros, el progreso de los países de Europa que en estos momentos se nos aproximan, al menos en esta etapa de la expectativa de que un futuro completo e intenso para nosotros el futuro de desarrollo tiene con el tiempo completo su objetivo.

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Speech by Mr. Eugene R. Black, President of the
International Bank for Reconstruction and Development
to the Economic Society of Zurich, Zurich, Switzerland, March 21, 1956

"THE WORLD BANK AS LENDER AND BORROWER"

A TEN-YEAR REPORT

Mr. Chairman and gentlemen: This is the first time I have made the journey to Europe just for the purpose of making a speech. I have done so because I know that an invitation to address your learned Society is an honor accorded only to a few, and also because it enables me to express some of my appreciation for the great assistance which has been rendered by Switzerland to the World Bank in all its operations.

Although Switzerland is small in area and in numbers, the Swiss people have made their country one of the great financial and commercial centers of the world. Switzerland has a remarkable record as a source of international development capital. In the past ten years the total of foreign bonds issued publicly in your markets has been almost 1,800 million Swiss francs of which two-thirds have been government or government guaranteed issues and the remainder on private account. The World Bank itself has been active in the Swiss market as a borrower -- so much so that Switzerland must be recognized as having an important stake in our operations. What I say here today can therefore be regarded as a report on our first ten years of operations, a report which is due to you as major investors in the Bank.

Speech of Mr. Jacques A. Dreyfus, President of the International Bank for Reconstruction and Development, at the General Assembly of the United Nations, New York, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31 October 1950.

A FIVE-YEAR REPORT

The Chairman and members of the Board of Directors of the International Bank for Reconstruction and Development have the honor to address you this afternoon. It is the first time I have made the report to you since the Bank was established in 1945. I have been so busy with the work of the Bank that I have not had the opportunity to address you in person. I have, however, been able to address you by radio and television in a number of countries. I have also been able to address you in person in a number of countries. I have also been able to address you in person in a number of countries. I have also been able to address you in person in a number of countries.

Although Switzerland is small in size and in number, the Swiss people have made their country one of the great industrial and commercial centers of the world. Switzerland has a remarkable record as a center of international development capital. In the past ten years the total of foreign loans raised in your country has been about 1,000 million Swiss francs of which two-thirds have been for investment or government guaranteed loans and the remainder on private account. The World Bank itself has been active in the Swiss market as a borrower - to enable the Swiss Government to be recognized as having an important stake in our operations. What I say here today can therefore be regarded as a report on our first ten years of operations, a report which is due to you as major investors in the Bank.

For a banker like myself, this is a very appropriate audience, experienced as it is in the arts of finance and trade. To some extent these high standards make my task the harder, but in other ways more simple. I do not need, for example, to explain at length why the Bank needs to make a profit on its operations -- not that I myself feel in the least apologetic about it. Any investment institution must be able to show financial success if it is to earn the confidence of the financial community and thereby be able to borrow the necessary capital for its operations.

So it is logical for me to begin with a description of our lending operations, including the techniques, some old and some new, which we apply to make those operations as successful as possible from every point of view -- the borrowers' as well as our own. Later I shall speak of our role as a borrower in the capital markets of the world, and describe the ways in which the Bank raises its funds, and especially the efforts we make to enlist as much private capital as possible in international investment. In the course of these remarks the special and important position which Switzerland holds in relation to the World Bank will inevitably become clear, and I shall indicate ways in which our relationship can be further strengthened.

The Bank, as you know, makes loans to Governments, or with Government guarantee, for productive projects for which capital is not available otherwise on reasonable terms. Let me summarize for you in a few words the main figures of our lending operations. In so doing I apologize to those many close friends of the Bank who are here today and to whom these are already familiar.

The Bank began operations in 1946. In the decade since that time we have made loans totaling the equivalent of nearly \$2.5 billion. Of these loans approximately 80% have been covered in dollars, and the rest in various other

For a longer time period, this is a very important question, especially in the case of the United States and Canada, to which we have already referred. I do not think it is necessary to explain at length why the bank needs to make a profit, but it is clear that I speak in the least professional manner. The investment market must be able to pay for the financial services it is to provide, and the success of the financial community and industry is to be determined by the necessity of the market.

So it is logical for us to have a description of our leading operations, including the techniques, from all the countries, which we apply to our own conditions as appropriate as possible from every point of view. It is not as well as our own, but I think a good deal of our time is spent in the technical matters of the world, and however the way in which the bank affects the world, and especially the efforts we make to assist in such private efforts as possible in industrial and investment, in the course of these years the special and important points which I mentioned in relation to the world will inevitably become clear, and I shall return to this which our responsibility can be further strengthened.

The bank is very busy, and there is a tremendous amount of work to be done. It is not only a matter of providing the services for which capital is not available elsewhere, but it is a matter of providing the services for which capital is not available elsewhere. In the future I anticipate that there will be a great deal of work to be done, and the bank will have to be ready to meet this demand. The bank's operations in 1954, in the United States and elsewhere, have made some progress in the amount of nearly \$2 billion of these loans approximately, but have been covered in detail, and the rest in working order.

currencies, including, of course, Swiss francs. The proportion of non-dollar expenditure under our loans is now on an upward curve, as other currencies become available to us in greater quantities.

These loans have been made to assist the financing of more than 500 development projects in 41 member countries of the Bank or their overseas territories. We concentrate mainly on financing the foreign exchange costs of basic projects -- power, transportation, agriculture -- which provide a foundation on which further growth can take place. So, apart from a half billion dollars lent in Europe for postwar reconstruction, our loans have been divided as follows: 1/3 to power, 1/3 to transport and communications, and the remaining 1/3 distributed between agriculture, industry and general development. We have never had a default either of principal or of interest payments on any of our loans and we have now reserves equivalent to \$200 million. This record can be regarded with some satisfaction.

But good financial results, important as they are, are not the only criteria to which we should look in the conduct of our affairs. We are not a private banking house, but an inter-governmental agency established during the last war to aid postwar reconstruction and to speed up the economic development of the underdeveloped parts of the world. It was fully realized when the charter of the Bank was written at Bretton Woods in 1944 that the ending of the second world war would bring great demands for international capital investment. Many countries, especially in Europe, had suffered serious war damage and would have a tremendous problem of reconstruction. In addition, a start would have to be made on the great task of trying to raise economic standards in the underdeveloped countries of Asia, Latin America and Africa. This would help to reduce the tensions arising from widespread hunger and poverty, tensions which might once more threaten the peace of the world. Development of the backward countries

circumstances, including of course, dollar issues. The proportion of non-dollar operations which our firms is not as high as in other countries, but we are available to us in greater quantities.

These loans have been made to assist the financing of more than 200 development projects in 41 member countries of the bank or their overseas territories. In connection with the financing of these projects, the bank has provided a number of technical assistance projects on such things as power, transportation, agriculture, and health. It has also provided technical assistance in the form of grants from a half billion dollars last in Europe for post-war reconstruction. Our loans have been divided in different ways to power, 1/3 to transport and communication, and the remaining 2/3 distributed between agriculture, industry and general development. We have never had a surplus either of interest or of foreign payments on any of our loans and we have not received anything in 1950 either. This means that we are operating with some assistance.

The bank's financial position is important as far as we are not the only organization to which we should look in the context of our affairs. We are not a private banking house, but in other countries we are established during the last few years of our reconstruction and to assist in the economic development of the underdeveloped part of the world. It was first realized when the amount of the bank was written in 1944 that the end of the second world war would bring great demands for international capital investment. This situation, especially in Europe, had not been serious war damage and would have a tremendous impact on reconstruction. In addition, a great deal has to be made on the great task of trying to raise economic standards in the underdeveloped countries of Asia, Latin America and Africa. This would help to reduce the economic crisis that threatened hunger and poverty, tensions which might once more have plunged the world. Development of the backward countries

would also provide new sources of raw materials as well as new markets for the industrialized countries.

Private capital, at least in the first postwar years, would clearly not be sufficient to meet these large demands. For one thing, most of the countries which had been traditional suppliers of development capital had suffered a radical change in their fortunes because of the war and their resources would be taxed to the full in coping with their own postwar problems. And the experience of private international investment between the wars had been such that confidence had been shaken. So private capital would not only be short in the postwar years, it would also be chary of venturing out again. Our founders knew this, and realized that an important part of the Bank's work would be to revive confidence on the part of private investors whose capital was so badly needed.

This was done to some extent by providing the Bank with the backing of the credit of its member governments, in the form of a reserve of over \$7 billion, consisting of the unpaid parts of the subscriptions of member countries, subject to call if needed to meet its obligations. This was itself an important re-assurance for the private investor, but it was not enough. Guarantees are made for use only as a last resort. The Bank could not lean on them but would have to prove itself a successful venture from the business point of view if confidence in foreign investment was to be restored.

Furthermore, it was in the interest of its borrowers that it should be so. The foreign investment boom of the period between the wars had shown how easily foreign loans could run to waste if insufficient care was exercised either in making or disbursing them. This unfortunate chapter in international lending was responsible for the following clause being inserted in the Articles of Agreement of the Bank: "In making or guaranteeing a loan the Bank shall pay due

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regard to the prospects that the borrower will be in position to meet its obligations under the loan; and the Bank shall act prudently in the interests of both the particular member in whose territory the project is located and of the members as a whole." The first part of that instruction may seem platitudinous as descriptive of the operations of a Bank; but it was novel when applied to an international institution. Moreover, the second phrase about our responsibility to the borrower makes clear the duties of the Bank as a developmental agency. This injunction as a whole has had a fundamental part in shaping the character of the Bank and its operating policies. I should like to examine for a few moments the lending policies which have evolved from it.

In making a loan for a project the Bank never meets the whole cost. This means that in loans to underdeveloped countries we provide the foreign exchange for equipment and supplies which are to be purchased abroad; we do not finance the local costs, which are usually in the region of 50% of the total. Even in financing projects in the industrial countries of Western Europe, our loans cover only part of the cost. In both cases we lend foreign exchange, either dollars or some other suitable currency. So we must have careful regard to the ability of the borrower to repay in foreign exchange.

At the outset, therefore, we have to examine the ability of the would-be borrower to shoulder additional foreign debt. This was one of the aspects of international lending, incidentally, which was given too little attention in the twenties with the result that in the thirties widespread default on foreign borrowing became all too familiar. So the Bank has to make an assessment of the credit ceiling which it would regard as appropriate for each of its borrowing countries. Then we have to know how much foreign debt is already owing, and what the repayment obligations are.

An assessment of the foreign exchange prospects of a borrowing country cannot be made without also examining its whole economic situation. Moreover, we must assure ourselves of the ability of the borrower to sustain the local expenditure on the project we are helping to finance. This is especially true since development investment does not normally produce revenue for the first few years and may create or add to inflationary pressures. The interest of the borrower is, of course, equally engaged with that of the Bank in these investigations. It does not in the end benefit any country to incur more foreign debt than it can carry and thereby to endanger its credit; similarly it is a poor service to an underdeveloped country to provoke an inflationary spiral or to give it an extra twist upward.

Then, moving from the general to the particular, from the economic situation of the country to the particular project which it is proposed that we finance there also the Bank has to show a necessary caution and realism. The first questions that arise are: Is it economic? Is it feasible? Will it sufficiently benefit the economy of the borrowing country? These questions can only be laid to rest by an examination on the spot. In practice this has led to our sending, at the invitation of our member governments, many missions of investigation.

Even when we are satisfied that a particular project is one for which the World Bank should make a loan, our responsibilities are by no means over. We need to be assured that competent engineering studies have been made, that the cost estimates are comprehensive. We also require to know that the work will be put in the hands of people who are capable of handling it, which often involves employing foreign consultants and contractors. Then, again, full provision must be made for maintenance, an aspect of development which is too often overlooked or neglected.

In short, we make a full-scale investigation of each project. A bad loan is no use to anybody; we should be doing our member countries a dis-service in financing a road that sank into the ground, a power station that broke down or any monumental white elephant which would testify only to faulty planning.

Having passed through all these preliminary stages and having made a loan, we then do our best to see to it that the project is properly executed. We receive regular reports from the borrower and, from time to time, the scene of operations is visited by experts from our staff or by consultants from outside, whom we recruit for the purpose. Assuring ourselves that our loans are spent for the purposes for which they are granted involves us in a careful disbursement procedure whereby a borrower draws on a Bank loan only to meet obligations which the Bank recognizes as having been properly incurred within the terms of the loan. This process of cooperation between the Bank and its borrowers continues during the entire construction period of a project or even afterwards.

If I may digress for a moment, I should like to point out that our provision of technical assistance to member countries is not always directly connected to a loan operation. It is often concerned with much larger matters, such as help in drawing up a complete economic development program. Shortage of finance is not the only, nor even the principal obstacle to economic development. Lack of sufficient skill and experience is often a greater stumbling block to progress. In these circumstances it often happens that a wrong order of priorities may be used in assessing the relative urgency of different projects. Or it may even be that an underdeveloped country starts off in a completely wrong direction. For example, its people may regard large-scale industrialization as desirable but such a program may nonetheless be inappropriate in an

agricultural country whose greatest need is to modernize its agriculture in order to produce more food.

Several of our member countries have turned to us in this way for general economic advice. As a result we have sent fourteen general survey missions which have enquired into the whole economy of the country concerned and have made recommendations on the general direction which the development of its economy should take, as well as on particular projects which should be given priority. There is evidence that these reports, which are published, have been of value to the member countries concerned.

To an audience such as this the lending procedures which I have described will no doubt seem to be those which any prudent banking institution would adopt. But it has not always been so with our member countries. Some have shown a certain amount of unease at this process of investigation and supervision, particularly when negotiating their first loan from us. This restiveness becomes less marked, however, as time goes on and as the Bank is able to build up a record of successfully completed projects. There is more realization on the part of our borrowers that the precautions which we take are identical with those which they themselves should observe if success is to crown their efforts.

So much for a very brief description of the lending operations of the Bank. "Neither borrower nor lender be.", said Polonius to Laertes in Hamlet. But it has been my lot all my working life to be both borrower and lender and I have always been conscious of the intimate relationship between the two. So let me now turn to the other side of the shield.

The Bank obtained its initial capital funds from the subscriptions of its member governments. The charter provided for a total capital of \$10 billion, and each member country was allotted a proportion of this in accordance with

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its economic strength. Thus the United States contributed about one-third of our original capital stock, the United Kingdom one-seventh, and so on down to our poorest countries whose subscriptions run as low as the equivalent of \$200,000. These subscriptions were divided into three parts to enable each country to contribute to the capital of the Bank in accordance with its means. The relative small amount of 2% of each subscription was payable immediately in gold or United States dollars, which could freely be lent by the Bank. To put the credit of member governments behind the Bank, 80% of each subscription was retained by the member country, subject to call by the Bank only when needed to meet its own obligations. This constitutes, in effect, a huge reserve fund which, as I have already said, is an important part of the credit standing of the Bank.

There remained 18% of each subscription. To have asked for the payment of this percentage in gold or convertible currency would have been too heavy a drain on the majority of our member countries; it was therefore decided that the 18% should be subscribed in local currency. In addition, governments differed in their ability to allow large foreign loans to be made in their own currency, especially in the circumstances of the immediate postwar period. Some could do so without inconvenience; for others the lending by the Bank of this 18% subscription would have greatly added to existing pressures on their resources. For these reasons the charter provided that the 18% subscription could be lent by the Bank only with the consent of the member country concerned. The United States was the first country to make its 18% subscription freely available. Various other countries have made portions of their 18% subscriptions available from time to time and subject to certain conditions. The total which has been available to the Bank for lending out of this 18% portion of its capital stock is the equivalent of \$1 billion, of which the United States and Canada have

HAMBURG

The economic situation in Hamburg is characterized by a steady growth in industrial production, which has led to a significant increase in the city's economic activity. The industrial sector, which is the backbone of the city's economy, has shown a strong upward trend in output, contributing to a rise in the city's gross regional product. This growth has been supported by a combination of factors, including a stable macroeconomic environment, a skilled workforce, and a strong infrastructure. The city's strategic location and its well-developed port facilities have also played a crucial role in its economic success. The industrial sector's expansion has led to a diversification of the city's economy, with a growing emphasis on high-tech industries and services. This diversification has helped to reduce the city's dependence on a single sector and has provided a more resilient economic base. The city's government has also played a key role in supporting economic growth through various initiatives, including investment in infrastructure and the promotion of innovation. The overall economic outlook for Hamburg is positive, with a strong potential for continued growth and development in the coming years.

contributed four-fifths. Since we are now in 1956 and not 1946, I make no secret that I could wish to have received more releases by non-dollar countries from their 18% subscriptions for the Bank's lending operations. It was not for want of trying! But there are signs now of an improvement and, in any case, this is not the occasion for a lengthy discussion of this complicated question.

So much for the amounts of our capital subscribed by governments. It will be clear that our founders did not intend that the Bank should finance all its activity out of its capital. They provided for the raising of funds in other ways, which means, in practice, from earnings and from the investment market.

Our Articles of Agreement require us to promote private foreign investment; requirements apart, however, I am deeply convinced that the more international economic development which can be undertaken by private capital the better. Indeed, it was the need to increase this flow of private capital into development investment that attracted me into becoming President of the Bank, and it has been my main concern in the years during which I have held that position. I should like to describe to you the several ways in which the Bank has increased its lending capital by enlisting the help of private investors.

The first and most obvious way is the sale of our bonds. So far we have sold 25 issues of bonds totaling the equivalent of a billion dollars. These consist of ten United States issues totaling \$830 million; three issues in Canada, to a total of almost \$55 million; in the Netherlands we have raised 80 million guilders, in the United Kingdom £10 million and in your own country we have placed seven issues publicly and one privately to a total of almost 400 million Swiss francs. Switzerland was the first European country to open its markets to our bonds, and was also, incidentally, the market in which we made our most recent issue, of 50 million Swiss francs in November last.

I am happy to think that the standing of our bonds in the world's financial centers is high; I am told that in Switzerland in particular they are popular not only with banks and other financial institutions, but also with the small investor. I can assure you that we shall continue to do everything in our power to justify that confidence.

The second way in which we have recruited private capital in our operations is by selling to private investors portions of our past loans out of our portfolio. Swiss banks have played a large part in these operations, buying from us more than \$30 million worth of these obligations out of a total of \$200 million of portfolio sales. As those among you from the banking community know, we do a brisk business in these sales and, if I may say so in these austere surroundings we are always open to receive offers, or even mere enquiries.

Then there are the direct participations in our loans by commercial banks, made at the time when the loans are granted. These have become an increasingly important way of adding to our funds and now amount to \$55 million. In the year 1955 commercial banks participated in twenty out of the twenty-seven loans made by the Bank.

The increasing tendency of the investment market to take portions of our loans without guarantee shows a noteworthy confidence in our operations. Originally we were able to sell portions of our loans only with our guarantee. Now this is needed only in very special circumstances. We have sold more than \$180 million of our loans without recourse. It is true that most of these purchases have been for early maturities, but I have been pleased to note that the present trend is for the periods to become longer. After all, these are participations in loans which have been made by the International Bank only after thorough investigation. Moreover, a default on a participation would also be a

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default on the Bank's loan, an action which would be extremely injurious to the credit standing of the borrower.

This increase in participation in our loans is an important development not only because it increases private participation in foreign investment, but also because it brings our borrowing countries into direct relationship with the financial centers of the world and helps them to build up their own credit.

It is worth noting at this point that these participations by commercial banks in our loans do not, and cannot, carry with them any requirement that the borrower should buy equipment under the loan from any particular supplier or supplying country. Such a condition would be impossible for the Bank, for reasons which I shall explain. In the first place, the Articles of the Bank state that "The Bank shall impose no conditions that the proceeds of a loan shall be spent in the territories of any particular member or members." Secondly, a Bank loan often precedes the granting of contracts for the project. The Bank may sometimes have a fair idea of where the borrower intends to place the contracts when the loan is made, but this is a far cry from being able to commit the borrower in advance. It is the borrower who places the contracts, not the Bank, and we all know that plans for placing contracts can be changed, for good reasons, at any time. Thirdly, the Bank encourages its borrowers to place orders on the basis of competitive bidding. This is the only attitude which the Bank can take up in justice to the borrower; it is our business to see that he gets the best value for his money. There is also the need to deal fairly with our member countries, many of whom are competitors for the business. In any case, even if it were legal to do so, it would not be practical for us to make tied loans. If borrowers had to place their contracts only with the countries whose currencies were available for a particular loan the position would

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The first finding is that the majority of respondents...

The second finding is that there is a significant positive correlation between...

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The final finding is that the results are consistent with the theoretical framework...

rapidly become unworkable. For these many reasons, therefore, we are not in a position to assure investors that their participations in a particular loan can be tied to purchases to be made in their own country.

Although Switzerland is not a member of the Bank, it contributes substantial to our resources. Moreover, we have an agreement with you whereby we are accorded important tax concessions, privileges and immunities comparable to those we receive from our member countries. In return we consider ourselves bound to accord to Switzerland equal treatment with our members as a supplier of goods and services to our borrowers.

Nor has Switzerland been slow to compete for business. Your country is an important producer of those types of equipment which are needed for the projects which are financed by the Bank. Up to date Swiss industry has been paid 150 million Swiss francs for goods delivered under Bank loans. The list of this equipment includes almost every type which is made in this country, coming from Zurich, Geneva, Baden, Basle, Aarau and so on -- every manufacturing center in Switzerland.

Electrical equipment has been the largest single component of these orders, with textile machinery close behind. These have been large orders for railroad equipment, and for a wide selection of industrial and mining machinery. Moreover, in addition to these goods already delivered, orders to a total of more than 50 million Swiss francs have already been placed for future delivery under Bank loans.

Yet another example of the Bank's cooperation with the private market is to be found in our new technique of making a Bank loan to a borrowing country to coincide with a public issue of bonds by that country in the investment market. There have been three of these operations in New York totaling the equivalent of

rapidly become unworkable. For these many reasons, therefore, we are not in a position to accept investments that justify participation in the bank's funds. We are not in a position to purchase or to make in their own interests. Although the bank is considered desirable to our interests, however, we have an agreement with you whereby we are unable to accept for operations, particularly and especially, to those who receive from our member countries. In return we consider ourselves bound to record in our records and equipment with our members as a supplier of goods and services to our countries.

For the bank's interest we aim to compete for business. Your country is an important producer of these types of equipment which are needed for the industry which are shown by the bank. It is desired that the bank should be able to supply the equipment for your country. The list of this equipment includes almost every type which is made in this country, such as: British, French, German, Italian, American and so on. Every manufacturer supplies in his own country.

Equipment which has been the latest model's component of these orders with the bank's machinery close behind. There have been many orders for this equipment, and for a wide selection of industrial and agricultural machinery. Over, in addition to these goods already delivered, orders for a total of over five million dollars have already been placed for this machinery.

Yet another example of the bank's operations with the outside world is to be found in our own countries of which a bank loan to a foreign country is obtained with a public issue of bonds by this country in the investment market. There have been three of these operations in the last few years.

\$140 million in the past 15 months, the borrowers being Belgium, Norway and South Africa.

This is a technique which has not so far been tried in Europe. It is used by countries which already possess a credit standing in the private investment market, but which are not in a position to float a public issue large enough to cover the total finance they need for a particular program. They therefore seek to borrow from the Bank and from the market in a combined operation; the idea of using this technique comes sometimes from the country concerned, sometimes from the Bank or the market. Whatever the initiative, the approach to the private market in cases like this is very closely linked with the Bank loan; that is because the proceeds of the public issue as well as the Bank loan are to be applied directly to a project or development program which has been fully investigated and approved by the Bank.

Three important purposes are accomplished by this technique. Firstly, the borrowing country not only obtains the foreign exchange it needs, but also develops its contacts with the private market and hastens the day when it will be able to stand entirely on its own credit in obtaining foreign investment for its development. Secondly, the private market is able to invest in a program which has passed the scrutiny of the World Bank; and thirdly, the Bank benefits because it needs to lend less than would otherwise be necessary, and is thus able to spread its resources more widely.

This technique promises to be of great importance, and should be admirably suited to Europe. Several of our borrowers, including countries bordering on Switzerland, already have good financial contacts with European financial centers. Moreover, their needs are often for European currencies, and they are better able to service a debt in those currencies than in dollars. I hope that when

also within in the past 12 months, the borrowers being Belgium, Norway and

South Africa.

This is a technique which has not so far been tried in Europe. It is used

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private market in cases like this is very closely linked with the bank loan.

It is precisely the proceeds of the public issue as well as the bank loan are

to be applied directly to a project or development program which has been fully

investigated and approved by the bank.

These important purposes are recognized by the countries. Firstly, the

developing country not only obtains the foreign exchange it needs, but also

develops the contacts with the private market and obtains the very same, it will

be able to start eventually on its own credit in obtaining foreign investment for

its development. Secondly, the private market is able to invest in a program

which has passed the scrutiny of the world bank; and finally, the bank benefits

because it needs to find less than would otherwise be necessary, and in time

also to spread the resources more widely.

This technique provides for an of great importance, and should be seriously

studied to Europe, several of our borrowers, including countries bordering on

Germany, already have good financial contacts with European financial centers.

However, their needs are often far greater than their resources, and they are better

able to service a debt in these circumstances than in dollars. I hope that when

the time comes when the Swiss market is approached with a proposal of this kind that it will be well received.

It has sometimes been suggested, as a part of the Bank's efforts to enlist the aid of private investors, that we should assist our member countries by putting our guarantee on their direct bond issues in various markets. This is a suggestion to which we have given a great deal of thought. It has the advantage of simplicity; by using it we should avoid going through the two processes of borrowing and then lending. The difficulty is that guaranteed loans of this type may well require higher yields than the direct issues of the guarantor although the guarantor's commitment is identical. Moreover, different guarantee issues would probably tend to sell at different prices, in accordance with the market's view of the credit of the main borrower.

In consequence, if the World Bank were to go into this type of business, it would run the risk that its direct obligations and its various guarantee obligations would command different yields in the market. This would, in my opinion, make for confusion about the World Bank's issues, and would not be good for our own credit. Nor would it be entirely satisfactory to those of our member countries who would be required to pay higher rates of interest than if they borrowed direct from the Bank. For these reasons, therefore, the Bank has not used the guarantee technique, and so far as I can see, is not likely to do so.

The recital I have given of the many ways in which the Bank cooperates with private capital in international development investment shows that we have had encouraging successes. Perhaps an ideal state would be made evident by the World Bank being put out of business by the private investor. I personally would have no objection to such a result, but there is a long way still to go.

the time comes when the State would be approached with a proposal of this kind that it will be well received.

If the committee were suggested as a part of the bank's efforts to raise the kind of private investors, that we should raise our member countries by making our guarantees on their direct bond issues in various respects. This is a suggestion to which we have given a great deal of thought. It has the advantage of simplicity in that it would avoid going through the two processes of borrowing and then lending. The difficulty is that guaranteed loans in this type may well require higher yields than the direct issues of the government although the government's commitment is identical. However, different guarantee issues would probably tend to sell at different prices, in accordance with the market's view of the credit of the state borrower.

In conclusion, if the world bank were to do this type of business, it would run the risk that the direct obligations and the indirect obligations would command different yields in the market. This would be good option, since for example about the world bank's issues, and would not be good for our clients. For would it be entirely satisfactory to have an out market condition was would be required to pay higher rates of interest than if they borrowed direct from the bank. For these reasons, therefore, the bank has not and the committee continues, and so far as we can see, is not likely to do so.

The reason I have given of the way in which the bank would deal with private capital in international development investment areas that we have had encouraging success, perhaps in other areas would be made evident by the world bank being out of business by the private investor. I personally would have no objection to such a result, but there is a lot more that will be so.

In the meantime we are always seeking other ways of encouraging the private investor, and have high hopes of a new child of the Bank, the International Finance Corporation.

Our purpose in establishing this new affiliate is to have an institution which will be able to operate more flexibly in cooperation with private investors than the Bank is able to do. Unlike the Bank, which can lend only to governments or with a government guarantee, the new Corporation will be able to invest in productive private enterprises without any such guarantee -- which is as it should be.

The Corporation is being set up by the Bank as a separate institution but will draw its membership from the Bank's member countries, and will have a similar Board of Directors. As President of the Bank, I shall be Chairman of the new Corporation. The President of the Corporation will be appointed by the Board on my recommendation. Its capital will be between \$75 million and \$100 million, subscribed in gold or dollars by its member governments. Since this capital is small in relation to the world-wide needs for such investment, the new Corporation will seek always to go into projects in partnership with private capital, and may take a relatively small financial share itself. It will not itself manage enterprises so that its partners must not only be able and willing to invest but also possessed of management experience. The Corporation will of course be sharing the risks of new ventures and will expect a return on its investment commensurate with those risks. Once such an investment has proved itself, the Corporation will wish to sell its share so as to have its money free for use elsewhere. To this end, although the Corporation will not be able to hold ordinary stock, its form of security will be such as can be translated into stock on passing into private hands.

In the meantime we are always seeking other ways of encouraging the private investor, and have high hopes of a new kind of bank, the International Finance Corporation.

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The Corporation is being set up by the Bank as a separate institution but will draw its membership from the Bank's member countries, and will have a similar board of directors. As President of the Bank, I shall be Chairman of the new Corporation. The President of the Corporation will be appointed by the Board on my recommendation. Its capital will be between 175 million and 200 million, subscribed in gold or dollars by the member governments. Since this capital is small in relation to the worldwide needs for such investment, the new Corporation will seek always to go into projects in partnership with private capital, and may take a relatively small financial share itself. It will not itself make any investments so that the partners must not only be able and willing to invest but also possessed of management experience. The Corporation will of course be trying the risks of new ventures and will expect a return on its investment commensurate with those risks. Once such an investment has proved itself, the Corporation will wish to sell its share so as to have its money free for use elsewhere. In the end, although the Corporation will not be able to hold ordinary stock, its form of security will be such as can be transferred into stock on passing into private hands.

Although IFC investments will not carry government guarantees, they will nevertheless be made by an institution which is able to rely on many of the services of the World Bank in the appraisal of the suggested investment. This should be of particular interest to cautious investors who hesitate to get their feet wet in the waters of overseas investment, because they are ignorant about general conditions abroad as well as the merits of particular proposals.

The International Finance Corporation will begin operations as soon as a minimum of 30 member countries of the Bank, together subscribing at least \$75 million, have completed the action necessary for membership. At the present time 20 countries, including the United States and the United Kingdom, and together subscribing \$65 million, have already completed the necessary action and some 28 other member countries of the Bank are proceeding with the necessary legislative action which will enable them to join. I hope that the new Corporation can come into being within the next three months, and I think it has a great contribution to make. A good augury is the fact that the Bank has already received a number of preliminary enquiries about possible participation with IFC from private investors, even before the new Corporation has begun operations.

I should like to conclude this address, Mr. Chairman, by speaking more directly of the valuable cooperation which the Bank receives from Switzerland. As I have already said, yours was the first market in Europe to be thrown open for the sale of our bonds and continues to be one of our principal sources of funds. But that is by no means the whole story. We always find Switzerland cooperative in the whole field of our operations. We have Swiss nationals on the staff of the Bank; their number is not large but their quality more than makes up for any lack of quantity. Another example is the help we have received in the past year from Switzerland in the efforts which we have been making to

Although the investments will not only be made, but they will be made by an institution which is able to rely on the services of the bank in the management of the suggested investments. This should be of particular interest to certain investors who had to get their feet wet in the world of overseas investment, because they are ignorant about recent conditions abroad as well as the merits of particular proposals.

The International Finance Corporation will begin operations as soon as a number of 30 member countries of the bank, together subscribing at least \$25 million, have completed the action necessary for membership. At the present time 20 countries, including the United States and the United Kingdom, and another 10 countries, have already completed the necessary action and some 25 other member countries of the bank are proceeding with the necessary legislative action which will enable them to join. I hope that the new Corporation can come into being within the next few months, and I think that a great contribution to peace, a good security in the fact that the bank has already received a number of preliminary enquiries about possible participation with the private investors, even before the new Corporation has begun operations.

I should like to conclude this address, Mr. Chairman, by pointing out directly of the valuable cooperation which the bank receives from Switzerland as I have already said, you see that the first market in Europe to be thrown open for the sale of our bonds and continues to be one of our principal sources of funds, but that is by no means the whole story. We always find Switzerland cooperative in the whole field of our operations. We have Swiss nationals on the staff of the bank; their number is not large but their quality more than makes up for any lack of quantity. Another example is the help we have received in the past year from Switzerland in the efforts which we have been making to

bring some light into the jungle of international competition in suppliers' credits. It had long been a matter of concern to us that the various industrial nations, competing as they are for orders abroad, might exploit their officially sponsored schemes of export credit to a point which endangered sound financing in the importing countries. Not only was export credit being guaranteed without adequate investigation into the ability of the debtor to pay, or into the suitability of the terms to the purpose involved, but the debtor countries themselves were piling up a burden of short and medium-term debt which was often not known to their own governments. We instituted a system a few months ago whereby, on a confidential basis, we obtain information on suppliers' credits from the exporting countries. This is divulged in summary form only to governments and I am happy to say that the information we have collected has already been of value in the more correct appraisal of borrowing and lending policies in importing and exporting nations alike. The Swiss authorities have been of great assistance to us in this important matter.

I have always regarded your country as one of the best and most steadfast allies of the Bank. You are traditionally a capital exporting country, and you know our problems by direct experience. As an agency in the field of international capital movements, we are happy to be able to rely on both your resources and your experience. For our part, we shall do our best to foster this relationship and help it to grow. I feel confident that your friendship will be readily forthcoming in the future as it has been in the first decade of our work.

bring some light into the jungle of international competition in agriculture. It had long been a matter of concern to us that the various industrial nations, competing as they are for orders abroad, might exploit their official resources of export credit to a point which endangered sound financing in the importing countries. Not only was export credit being granted almost without investigation into the ability of the debtor to pay, or into the

reliability of the terms to the purpose involved, but the debtor countries themselves were piling up a burden of short and medium-term debt which was often not known to their own governments. We instituted a system a few months ago whereby

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