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THE WORLD BANK
Washington, D.C.

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President Black Papers - Travel vol 3

1952

The World Bank Group
Archives
1769301
A1992-041 Other #: 4 209324B
Records of President Eugene R. Black: Travel - Travel 03

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WBG Archives**

H. E. Blodgett 1952
tour

My brief visit to Australia has been enjoyable and useful. As I said when I arrived, I did not come to your country to negotiate a loan. Since the first of February, I have been visiting a number of the Bank's member nations that are new to me, to learn at first hand something about their activities in the field of economic development, and to meet representative people, in both public and private life, who are concerned with development. That is what I have been doing in Australia. Everyone has been most helpful. Government officials and representatives of labor, agriculture and business have given me all the information I asked, and more.

In many ways the economic position of Australia and the world in general has changed greatly in the last two years, and adjustments must be made to meet the new situation. I am sure that the Commonwealth and State governments, and the Australian people they represent, are prepared to take all the necessary measures to stop inflationary pressures and to increase the output of basic products on which Australian prosperity depends.

A year ago last August, the World Bank made a loan of \$100,000,000 to Australia. The purpose of this loan was to help bring into your country equipment and machinery which would improve basic facilities in such fields as electric power and transportation, and which would increase output in industries like agriculture, mining and steel. I think public and private authorities are making good use of the things the World Bank loan is helping to provide, and that the loan is making a real contribution to Australian development.

In my discussions, I have been looking for ways in which the World Bank could go on helping ^{to} ~~the~~ develop your country. I am leaving a two-man team in Australia to consider what projects would bring the most immediate gains in the output of basic products, with a view to the World Bank's further participation in the financing of Australian development. Following our loan of 1950, this would be the second step in a continuing relationship between Australia and the Bank. At a time when world economic conditions are changing so rapidly, it is not possible to look any further ahead

than that. But the few days I have been with you have convinced me that Australia is a great country with a great future, and I can assure you that the Bank is anxious to help you develop that future in any way that it can.

Black Trip



GHS/dmt

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

ADDRESS OFFICIAL COMMUNICATIONS TO

American Consulate General,
5/1 Harington Street,
Calcutta, India.
March 3, 1952.

Harold N. Graves, Jr., Esquire,
Director, Public Relations,
International Bank for Reconstruction and Development,
Washington 25, D.C.

Dear Mr. Graves:

You will recall that prior to your departure from Calcutta the Consulate General sent off a number of telegrams and letters at the behest of your group, and that you deposited with the Consulate General the sum of Rs. 500/- to cover the cost of these communications. The following is a breakdown of expenses incurred:

<u>1952</u>	
Feb. 21	Cash depositedRs.500. 0. 0.
" 21	Telegram to Martin, Intbafrad, New York Rs. 58. 3. 0.
" 21	Telegram to Koster, Intbafrad, Washington Rs. 20. 3. 0.
" 21	Telegram to Iliff, Intbafrad, Washington Rs. 86. 1. 6.
" 21	Telegram #366 to Department of State, Washington .. Rs.300. 7. 0.
" 25	Postage on 5 letters Rs. 2. 2. 0.
	Rs.467. 0. 6. Rs.467. 0. 6.
	Balance <u>Rs. 32.15. 6.</u>

The balance of Rs. 32. 15. 6 will be placed in the Consulate General's revolving fund, which is used principally for furnishing of medical aid for worthy Indians on our staff. If this disposition does not meet with your approval, kindly drop me a line of instructions.

Sincerely yours,
For the Consul General:

Garrett H. Soulen
Garrett H. Soulen
American Consul

Wans.
WMB



UNITED STATES OF AMERICA
OF THE
THE FOREIGN SERVICE

GHS/dmt

ADDRESS SPECIAL COMMUNICATIONS TO

American Consulate General,
2/1 Harrington Street,
Calcutta, India.
March 3, 1952.

Harold N. Graves, Jr., Esquire,
Director, Public Relations,
International Bank for Reconstruction and Development,
Washington 25, D.C.

Dear Mr. Graves:

You will recall that prior to your departure from Calcutta the Consulate General sent off a number of telegrams and letters at the best of your group, and that you deposited with the Consulate General the sum of Rs. 500/- to cover the cost of these communications. The following is a breakdown of expenses incurred:

25	Postage on 2 letters	Rs. 2. 0.	"
21	Telegram #300 to Department of State, Washington	Rs. 300. 7. 0.	"
21	Telegram #300 to Department of State, Washington	Rs. 80. 1. 0.	"
21	Telegram to Liff, Intbarid	Rs. 20. 3. 0.	"
21	Telegram to Koster, Intbarid	Rs. 58. 3. 0.	"
21	Telegram to Martin, Intbarid	Rs. 467. 0. 0.	"
21	Cash deposited	Rs. 500. 0. 0.	"
	Balance	Rs. 32. 15. 0.	

MAR 10 11 42 AM 1952

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

The balance of Rs. 32. 15. 0 will be placed in the Consulate General's revolving fund, which is used principally for furnishing of medical aid for worthy Indians on our staff. If this disposition does not meet with your approval, kindly drop me a line of instructions.

Sincerely yours,
For the Consul General:

Garrett H. Soulen
American Consul

Handwritten initials and date

Black says

BRAZILIAN LOAN

Ralph Hendershot
Financial Editor

The World Bank people say it just isn't so; that Eugene R. Black, its president, would oppose granting the Brazilians a loan so long as they refuse to play fair with our business people. Mr. Black is out of the country so he couldn't personally take us over the coals for our Monday story.

But our informant, a man associated with the United States Council of the International Chamber of Commerce, insists that the World Bank did have in mind making the \$75 million loan but apparently has now grown cool toward the proposal because of the severe criticism from American business men. We wouldn't know about that.

The whole ruckus developed when the Brazilian Government announced recently that outsiders would no longer be able to remove their profits from the country at will. That part was agreeable to American business men, but when the Brazilians said also that the new ruling would be retroactive to 1946 they reared up on their hind legs and said nothing doing.

Patience at an end

It seems our business people have lost patience with foreign countries which renege on business deals. They maintain that private investors cannot get anywhere with any nation which will not live up to its contracts and agreements. They want no repetition of the Iranian oil deal and the Brazilian situation bears a strange relation to that development.

Our Government people, particularly those representing the State Department, seem to take a somewhat different view. They have a habit of putting political considerations ahead of business honesty and appear willing to toss business people to the wolves if that is necessary to "make friends and influence people". And they may be in a position to bring some pressure on Mr. Black.

However, at Mr. Black's office it was stated that: (1) No commitment has been made to grant a loan to Brazil; (2) the decree had not been issued by the time he left Brazil following consultations; (3) Because of the decree consideration of any loan for Brazil probably would be held up indefinitely.

Government view differs

It is possible, however, that the Export-Import Bank may make the loan. At a special meeting in Washington Monday night, we are told, the State Department man having direct dealings with Brazil would give business representatives no assurance that our Government would regard the decree as prejudicial to a loan.

Copy in Brazil - Am.

This is unfortunate. The Point Four Program cannot be put into effect in a satisfactory manner unless private investors cooperate and they will not cooperate unless our Government insists that their legitimate interests are protected.

CROSS REFERENCE SHEET

COMMUNICATION: Outgoing Wire

DATED: February 26, 1952

TO: Mr. Black, Galle Face Hotel, Colombo, Ceylon.

FROM: Mr. Iliff

SUMMARY: Ralph Hendershot's column in World Telegram Sun of February 25th. attacking Mr. Black re you telling Brazil IBRD will be glad to loan them \$75,000,000. & he implies you said this with full knowledge of recent Vargas decree. George Martin today telephoned & we confirmed afterwards in actual writing the Bank's position. Hendershot has undertaken to state Bank's position in his column either Wednesday or Thursday.

FILED UNDER: Brazil - Rio Grande do Sul

CROSS REFERENCE: Black trip.

DECLASSIFIED

Date: 08/06/2010, VA

Colombo, Ceylon
March 1, 1952

Confidential

Dear Bill,

We left the country of "inhuman" hospitality as planned on February 23rd and reached the wonderful Lanka where our hosts appear to have some understanding for the limits of the physical endurance of their guests. This affords us the first opportunity to sum up in writing some of the results of Mr. Black's discussions in Karachi and Delhi. Mr. Black has asked me to write you a note on the situation of the projects he discussed in both countries.

Pakistan

1. In addition to the projects under our active consideration, there are two important hydro-electric power developments: Warsak, on the River Kabul, in the NWFP Province, and Karnaphuli, in East Bengal. The technical preparation of both of these projects has reached the stage at which the Government needs competent advice. Mr. Black considers that the Bank should continue to be interested in the power development in Pakistan and has promised the Government to send, at an early date, a qualified engineer to study the power problem as a whole with particular reference to the two above-mentioned projects. (This study would be undertaken irrespective of any power development which may result from the possible discussions on the utilization of the waters of Indus and its tributaries.)
2. During our visit to Warsak we had met the local Pakistan engineer (D^rCruz) and a Swedish engineer (Berg) sent out by the Swedish partners of Merz, Rendell & Vatten.
3. According to both engineers, the rock foundations for the dam have been found satisfactory; details of the proposed design of the dam were sent by D^rCruz to the Ministry of Economic Affairs in Karachi for transmission to the Bank last June. If my memory does not fail, we have not received this report. The representative of the Ministry of Economic Affairs who accompanied us (Rashid Ibrahim) promised to send immediately a copy of the engineering report to General Wheeler. The power from Warsak will be transmitted to the Northern Punjab grid and will supply Northern Punjab, including the Thal Development area. As you know, the northern area is suffering from power shortage which will not be eliminated by the addition of the Dargai Power Plant to the existing Malakand Plant. No new information was submitted to us on the Karnaphuli project, except that the preparatory work has been so far advanced that the decision on the site of the dam, its characteristics and the type of the power plant must be taken in the very near future. Mr. Black asks that, without waiting for his return, the Bank retain a very competent power engineer and send him out to Pakistan to look into the entire power development program with particular reference to the two above projects. The same engineer should also go to India to study the power situation of the Bombay State. (This point is covered below in more detail.)

India

Use of Sterling balances for the Five-Year Plan

4. Sir Chintaman Deshmukh, after his return from London, confirmed that India will be free to use £ 35 million annually for the financing of the Plan and that the said amounts will be transferred from Account No. 2 into Account No. 1, irrespective

orig in India Dept

of the movements of balances in Account No. 1. He did not indicate how far India will be able to reduce her working balances. (Account No. 1)

Dollar loans for non-dollar imports

5. Sir Chintaman told Mr. Black that the Indian Cabinet decided that India would wish to borrow from the Bank dollars for non-dollar imports only if such imports would represent a small proportion of the total external cost of a project. Conversely, if the dollar imports would represent only a small portion of the external cost of a project, India would abstain from requesting a loan, unless the Bank could also lend the required non-dollar currencies. Sir Chintaman asked Mr. Black that the next tranche of loans to India should not be smaller than the first one (presumably \$60 million). The decision of the Indian Government regarding dollar borrowings will affect the recommendations of our recent mission to India.

Projects for possible Bank financing

6. (a) Railways. Most of the orders have already been placed by India in the UK. Although there is a possibility that some small orders may be placed in Canada or in the United States, the Indian Government does not intend to request the Bank to finance imports for the railways.

7. (b) Fertilizer Plant at Mysore. The Government requested that the Bank make this loan directly to the State of Mysore. The loan will of course be guaranteed by the Central Government. Mr. Black agreed. We understand that the technical aspects of this project are now being studied by our engineers in Washington.

8. (c) Industrial Finance Corporation. The questions of the changes in the statutes of the Corporation were discussed with the Government and Sir Chintaman agreed that the Government should ask the Parliament to raise the minimum amount of loans which the Corporation may lend to any private applicant. Mr. Black, Rist and myself have some doubts as to the competence of the present General Manager of the Corporation. If the Bank considered the loan to the IFC, the management of the Corporation would have to be strengthened. The financial side of the Corporation's management could be reinforced by drawing on local talent; but the engineering side would require outside assistance. In this respect there are several possibilities, and among them:

- (i) Use of technical assistance under the Colombo Plan.
(Rowland Owen told me that the UK are anxious to give technical assistance for any projects to be financed by the Bank. I asked him to take this matter up with the Bank through Christelow.)
- (ii) Use of managing agencies in India.
(I spoke on this subject with Rowland Owen in Delhi and with Sir _____ Lockhart in Calcutta - both were very encouraging and thought that the matter should be pursued with the Indian Government at an appropriate time.)

We feel that the strengthening of the management, especially on the technical side, should be a condition of any loan from the Bank to the I.F.C.

9. (d) Damodar Valley Corporation. The breakdown of currencies for this project submitted by our Mission was a pure guess. We were informed by Mazumdar that the bids for the generating equipment for the Maithon Dam will be received in March; in May the DVC will adjudicate the contracts for this part of the development. The DVC hopes that the bids for the Maithon Dam will indicate the currencies which may be required for the generating equipment for the Panchet Hill Dam. The generating equipment for the Konar Dam probably will be purchased from the Central Government who had ordered in Germany and already paid for two 25,000 kw units for the Hirakud Project. (The Hirakud Power Project appears to be trimmed down to more realistic proportions, and rightly so.) Thus, as far as power equipment is concerned, the DVC will not be in a position to indicate the currencies required at least until May next. All that can be said at present is that structural steel will be purchased in the United States and so will the earth-moving equipment. The amount of the loan may therefore be not much more than half of the Mission's estimate.

10. With respect to the construction equipment, during our visit to the Maithon Dam site we saw a large quantity of earth-moving equipment imported from the USA (Euclid's, heavy tractors, cranes, etc.). It will be necessary for our engineers to check whether the inclusion of a large amount of equipment in the list of goods submitted to the Bank's Mission is justified and whether the request put up to us is not an attempt to obtain from the Bank reimbursement for the equipment already paid for, or an attempt to obtain a loan for equipment to be used on projects which have not been approved by us.

11. There is also a technical assistance problem in the DVC. Komora and other American engineers at Bokaro consider that for the completion of the Bokaro-Konar Project and the simultaneous execution of the Maithon and Panchet Hill Dams and related works, at least ten foreign engineers and draftsmen (five of each) will be needed. Mr. Black has spoken on this subject to BK who did not agree unconditionally with Mr. Black's suggestions. Mr. Black considers that this question should be strongly pressed during loan negotiations. We assume that before the negotiations could commence, probably sometime next summer, one of our engineers will go to India to examine the technical details of the project. To save time and expense, Mr. Black suggests that perhaps Gray Marshall, who was planning to go to India for the end-use supervision of Bokaro, could also do this job.

12. (e) Steel expansion and new pig-iron plant. Mr. Black has had extensive talks on this subject with the Government and Dr. Mathai, Sir J. J. Gandhi, Sir Biren Mookerjee and many other competent people outside the Government. Both questions (steel expansion and the new pig-iron plant) are very complicated; they go deeply into the problem of major economic policies of the Government. Mr. Black has not yet made his mind up as to whether the Bank should make available any finance for the expansion of the iron and steel production. However, he promised the Government that, irrespective of the Bank's final decision as to its participation, the Bank will arrange to send to India a competent engineer in order to look into the entire question of the iron and steel industry.

13. Mr. Black now asks you that

- (i) nothing should be done by the Bank until his return and that no indication should be given to the Indians that the Bank may consider the financing of the Government-owned pig-iron plant.

- (11) that an appropriate candidate to examine the steel problem in India should be considered. Mr. Black thinks that in the circumstances probably the best thing would be to prepare for this assignment an engineer from our own staff.

14. (f) Purchase of ships. Sir Chintaman raised this question again, pointing out that, in view of the expected imports of grain on a large scale over the period of several years, the purchase of ships would give India substantial and immediate foreign exchange savings. Mr. Black took the position that if the Government obtained the release of ships from the United States Maritime Commission, or purchased ships in other countries, the Bank would consider loans for a part of the purchase price. Such loans would have to be secured by mortgages on the ships.

15. (g) Power development in Bombay State. With the completion of the DVC's first phase, the power market in Bihar and West Bengal will be satisfied for several years to come. The area urgently needing power is the Bombay State; this fact has been recognized by the Center. At present, the hydro power produced by the three Tata companies falls short of existing requirements. Tatas were willing to expand their hydro power plants if the Government extended the period of franchises. The State Government, however, decided to build and operate its own plants. This was the situation when the agreement with the American oil company on the construction of an oil refinery in Bombay was reached. The oil refinery will require, in the next two years, a substantial load which cannot be supplied by either of the hydro-electric long-term projects envisaged by the Government, or by the expansion of the Tatas hydro-electric plants. It is now therefore contemplated that to satisfy the needs of the refinery a thermal plant will be built and financed by private capital (presumably Tatas) and that the State Government will undertake the long-term power development.

16. The Bombay Government envisages two hydro-electric schemes:

- (First) the Koina project, on the river of the same name, south-east of Bombay. This project could develop up to 250,000 kw (continuous) at the capital cost of between 37 and 40 crores of rupees, and
- (Second) the Kakrapara project, on the Tapti River, northeast of Bombay. This project could develop about the same amount of power and could also irrigate over 100,000 acres of land in an area where agricultural yields are very low and population pressures are high. (Some minor irrigation works have already been started.) This project is estimated to cost 45 crores.

The estimated external cost of each of the projects would run at about 10 crores (\$20,000,000).

17. For the Koina project the Bombay Government has retained two consultants: (i) Ebasco of New York on the electric side and (ii) Etudes et Entreprises of Paris on the dam construction. The Government intends to retain both these consultants for the period of execution of the project, and to ask for the international bids for the construction work only for such part of the project which could not be carried out departmentally.

18. As usual, local politics are playing a considerable role. The problem of private (Tatas) versus public ownership has also been a delaying factor. At present the matter is in the hands of the Center who, in consultation with the

State Government, will decide in the near future which of the two projects should be included in the second part of the Five-Year Plan.

19. Mr. Black has promised that the Bank engineer who will shortly visit Pakistan will also study the power situation in the Bombay State; if the Center included one of the projects in the Five-Year Plan and the report of the Bank's engineer was favorable, the Bank would consider its participation in the financing of one of the projects. (With the knowledge of the Central Government, I sent by air parcel to General Wheeler a copy of the Koina report; the report on the Kakrapara project has not yet been fully prepared.)

20. (h) Mr. Black's statement to the Press. Before leaving India, Mr. Black was asked by BK to mention in his interview with the Press the amount which the Bank will be prepared to lend in the near future. (BK mentioned the \$90 million figure.) Mr. Black told BK that, at this stage, he did not want to mention any amounts and that the Bank will not make new loans in amounts exceeding its initial investment. In the statement to the Press, Mr. Black said that he is prepared to "recommend that the Bank go ahead and make a further substantial investment in India." (Press clipping is attached.)

The foregoing is a very brief summary of the Indian situation which is both interesting and disquieting.

With best personal regards,

Please remember me to Jacqueline,

Sincerely,

Jeff

P.S. Lars Bengston who joined us in Calcutta, after his second visit to Karachi, spent a few days in Delhi, accompanied by BK, in order to redraft the formula of invitation to the meeting in Washington. He came to see Mr. Black in Ceylon (to Polonnaruwa) and, provided with several versions of letters of invitation signed by Mr. Black, is leaving tomorrow for Karachi for what may be considered to be the last attempt to arrive at an agreement on the meeting of the technical commission. If he succeeds in Karachi, he may have to go to Delhi to hand Mr. Black's letter and receive an acknowledgment from the Indian Gov't. We all feel that the Indian Gov't has gone far in meeting the desires of the Pakistanis. If an agreement is reached, the meeting of the technical commission will take place in Washington on April 7. Bengston will return to U.S. probably around April 10.

J. Rucinski

Enclosure

Mr. W. A. B. Iliff
Assistant to the President
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington 25, D. C.

International Bank Mission
Visit of Black and Party

Date	Time	Particulars	
Monday 10th March	8.30 p.m.	<p>Arrive Sydney direct from Biak</p> <p>To be met by Minister and Wife, Senior Treasury Official</p> <p>Health and Immigration formalities</p> <p>Customs clearance</p> <p>Press interview Baggage will be loaded onto waiting vehicles for transit to Hotel while press interview proceeds</p> <p>Party proceed to Hotel Australia. 3 Cars. Accommodation arranged 10-17th March Hotel Australia do not allocate rooms until end of month but it is understood that Blacks will have suite in new section. Others to have single rooms with private bathrooms in same section. Flowers to be arranged in Mrs. Black's room Supper in rooms or lounge, depending on Black's wishes</p>	<p>Letter to be sent Minister.</p> <p>Departs. of Health accord party a</p> <p>Dept. of Trade a File folio 83</p> <p>Black's wishes t</p> <p>Cars will be provided from Dept. of See file folio 8</p> <p>A more elaborate arranged before</p>
Tuesday, 11th March		<p>Day free for discussions with Cope and Kamarck. Location of talks - Hotel Australia</p> <p>During discussions, <u>Mrs. Black</u> might (a) rest after strenuous journey and/or (b) visit hairdresser, shops etc.</p> <p>4.00 p.m. Party leave Hotel Australia for Mascot - 4 cars.</p> <p>4.30 p.m. Depart Sydney for Canberra by special plane</p> <p>5.30 p.m. Arrive Canberra - To be met by Minister and/or officials - 4 cars</p> <p>Accommodation - Mr. & Mrs. Black at Prime Minister's Lodge. (Prime Minister has requested that Mr. & Mrs. Black be conveyed direct to the Lodge)</p> <p>Messrs. Rist, Graves, Rucinski & Miss Linahan at Hotel Canberra</p> <p>Evening No formal engagements</p>	<p>Black's suite se Hotel can provide</p> <p>Mrs. Black's wishes might be sought</p> <p>If *V.I.P. plane, from Prime Minister</p> <p>If Minister, Prime nomination</p> <p>If Parliament rises will have angle Folio 89.</p>
Wednesday 12th March		<p>10.45 a.m. Car will call at Hotel Canberra for member/(s) of party to accompany Black to Government House</p> <p>10.50 a.m. Black will join car at Prime Minister's Lodge and proceed to Government House</p> <p>11.00 a.m. Call on Governor-General Car will wait</p>	<p>Visit can be arranged by telephone. Secretary to Treasurer to G.G.</p>

International Bank Mission
Visit of Black and Party

*Key file
referred*

Particulars	Remarks
Sydney direct from Biak	
be met by Minister and Wife, Senior Treasury Official	Letter to be sent to Prime Minister requesting selection of Minister.
with and Immigration formalities	Departs. of Health and Immigration have been asked to accord party all facilities - File folios 84 & 86
Customs clearance	Dept. of Trade and Customs asked to accord facilities - File folio 83
Press interview	Black's wishes to be sought by Charge d'Affaires, Bangkok
Luggage will be loaded onto waiting vehicles for transit to Hotel while press interview proceeds	
Party proceed to Hotel Australia. 3 Cars. Accommodation arranged 10-17th March	Cars will be provided on request in all States. See memo from Dept. of Supply, folio 90. See file folio 82
Hotel Australia do not allocate rooms until end of month but it is understood that Blacks will have suite in new section. Others to have single rooms with private bathrooms in same section.	
Meals to be arranged in Mrs. Black's room	A more elaborate supper than usually served will be arranged beforehand
Dinner in rooms or lounge, depending on Black's wishes	
Arrangements for discussions with Cope and Kamarck. Location of talks - Hotel Australia	Black's suite seems most suitable. If necessary, Hotel can provide a private room. See file folio 82
Discussions, Mrs. Black might rest after strenuous journey and/or visit hairdresser, shops etc.	Mrs. Black's wishes regarding appointment with hairdresser might be sought by Charge d'Affaires at Bangkok
Leave Hotel Australia for Mascot - 4 cars.	
Sydney for Canberra by special plane	If *V.I.P. plane, letter will be prepared for forwarding from Prime Minister to Minister for Air.
Canberra - be met by Minister and/or officials - 4 cars	If Minister, Prime Minister will be asked to make nomination
Accommodation - Mr. & Mrs. Black at Prime Minister's Lodge. (The Minister has requested that Mr. & Mrs. Black be conveyed direct to the Lodge)	
Mrs. Rist, Graves, Rucinski & Miss Linahan at Hotel Canberra	
Personal engagements	If Parliament rises on 7th March as expected, whole party will have single rooms with private bathrooms. File Folio 89.
All call at Hotel Canberra for member/(s) of party accompany Black to Government House	
Party will join car at Prime Minister's Lodge and proceed to Government House	
Meeting with Governor-General	
Party will wait	Visit can be arranged with Secretary to Governor-General by telephone. Tentatively arranged. If he desires, Secretary to Treasury may accompany party and introduce them to G.G.

Date	Time	Particulars	
Wednesday ¹² (contd.)	11.30-35 a.m.	Leave Government House for U.S. Embassy	
	11.45 a.m.	Call on U.S. Ambassador Car to wait	Can be arranged by tel two weeks before visit
	12.45 p.m.	Cabinet luncheon - Assemble in Members' Guest Room. Party meet Prime Minister and other Ministers. Any spare time between arrival at Parliament House and 12.45 will be occupied by visit to House of Reps. and Senate	<i>Has been arranged</i>
		Black, one or two of his party and Secretary to Treasury will be invited Those not invited to Cabinet luncheon might lunch with First Assistant Secretary at Hotel Canberra.	
	Afternoon	Talks with Ministers and officials. Officials not at Cabinet luncheon, but required at talks, will be brought to Parliament House after lunch, say 2.15 p.m.	
		P.M. has indicated that he and Treasurer will confer with Black in private, presumably in P.M.'s room. Talks between Ministers and officials and others of Black's party could take place in another room.	Suitable room to be Committee if required
		Cars to stand by for return of officials to Hotel and Black to P.M.'s Lodge (if he does not return with Prime Minister).	
		<u>Mrs. Black</u> Following time-table is suggested for Mrs. Black.	
	10.30 a.m.	Leave Prime Minister's Lodge on scenic tour of Canberra. Officials not required by Black could perhaps accompany her.	Prime Minister's Dep this nature and, officer as guide.
	12.30 p.m.	Mrs. Black returns to Lodge for lunch	
	3.00 p.m.	Leave Lodge on visit to Mrs. Jarman, wife of U.S. Ambassador, at U.S. Embassy Return to Lodge at conclusion of visit - Cars will visit at Embassy. (Difficult to estimate time of return. Mrs. Black may make private arrangement with Mrs. Menzies).	Embassy sees no dif
	8.15 p.m.	Mr. & Mrs. Black leave Prime Minister's Lodge (1 car); rest of party leave Hotel Canberra (2 cars) for aerodrome. Car to call at Lodge and Hotel 10-15 minutes earlier to convey baggage to aerodrome.	
	8.30 p.m.	Depart for Melbourne by special plane	<i>Janet on R.I.P.</i>
	10.30 p.m.	Arrive Melbourne - 4 cars to be waiting	
		Accommodation arranged at Windsor Hotel. Suite for Mr. & Mrs. Black, single rooms with private bathrooms for others	See file folio 107
		Press will probably seek interview. Arrangements might be made beforehand for it to be held next day, so that party will not be bothered at this late hour. Party will be conveyed direct to Hotel. Supper will be arranged. Flowers to be arranged in Mrs. Black's room.	

*Give Legation
Miss Black a
lunch*

A.T.

X

Particulars	Remarks
<p>ment House for U.S. Embassy</p> <p>. Ambassador ait</p> <p>cheon - Assemble in Members' Guest Room. Prime Minister and other Ministers. time between arrival at Parliament House will be occupied by visit to House of Reprs.</p> <p>or two of his party and Secretary to Treasury will</p> <p>nvited to Cabinet luncheon might lunch with First Secretary at Hotel Canberra.</p> <p>Ministers and officials, not at Cabinet luncheon, but required at talks, rought to Parliament House after lunch, say 2.15 p.m.</p> <p>ndicated that he and Treasurer will confer with rivate, presumably in P.M.'s room. Talks between and officials and others of Black's party could in another room.</p> <p>nd by for return of officials to Hotel and Black dge (if he does not return with Prime Minister).</p>	<p>Can be arranged by telephone with Mr. Bird (U.S. Embassy) about two weeks before visit</p> <p><i>Has been arranged through Prime Minister's Dept. (Verbally)</i></p> <p>Suitable room to be obtained through Speaker or Joint House Committee if required.</p>
<p>ime-table is suggested for Mrs. Black.</p> <p>Minister's Lodge on scenic tour of Canberra. not required by Black could perhaps accompany</p> <p>returns to Lodge for lunch</p> <p>on visit to Mrs. Jarman, wife of U.S. , at U.S. Embassy</p> <p>odge at conclusion of visit - Cars will visit (Difficult to estimate time of return. may make private arrangement with Mrs.</p>	<p>Prime Minister's Department accustomed to conducting tours of this nature and, if required, will provide experienced officer as guide.</p> <p>Embassy sees no difficulty in arranging this visit.</p>
<p>Black leave Prime Minister's Lodge (1 car); rty leave Hotel Canberra (2 cars) for aerodrome. l at Lodge and Hotel 10-15 minutes earlier to gage to aerodrome.</p> <p>Melbourne by special plane</p> <p>ourne - 4 cars to be waiting</p> <p>on arranged at Windsor Hotel. Suite for Black, single rooms with private bathrooms</p> <p>robably seek interview. Arrangements might orehand for it to be held next day, so that not be bothered at this late hour. Party will direct to Hotel. Supper will be arranged. be arranged in Mrs. Black's room.</p>	<p><i>Janet on 2.1.5</i></p> <p>See file folio 107 & 108</p>

Date	Time	Particulars	
Thursday 13th	9.55 a.m.	Party to call on Premier of Victoria leave Hotel. Black and one or two of mission will make call. State officials meet party and introduce to Premier.	
	10.00 a.m.	Call on Premier	To be arranged by letter
	11.00 a.m.	Discussions with selected individuals from government, financial and business circles. Location of talks - Hotel Windsor	List of "selected individuals" to be drawn up. Suitable room to be arranged.
	12.30 p.m.	Talks adjourned for lunch	
	1.00 p.m.	Official luncheon	Will be arranged at Hotel. Names are known.
	2.30-3.00p.m.	Resume talks	
	4.00 p.m.	Discussions to finish. Time allowed for talks in afternoon would depend on number of people to be interviewed and time allotted to each Completion by 4.00p.m. would allow Black about 1 hour for private business e.g. dictation or press interview.	
		<u>Mrs. Black</u>	
		In absence of information regarding Mrs. Black's special interests, following time table is suggested :-	
	10.00 a.m.	Leave Hotel on scenic tour of Melbourne and environs, accompanied by those of party not required by Black. 1 or 2 cars	Suitable route to be arranged.
	noon	Return to Hotel	
	12.30-1.00p.m.	To be met by wife of Minister who will entertain Mrs. Black at lunch, or Wives of all Ministers living in Melbourne (5) might entertain her jointly	It is understood that the Minister's wife will entertain Mrs. Black. Luncheon could be arranged at the Minister's Department.
	Afternoon	Free	
	5.00 p.m.	Party leave Hotel for aerodrome - 4 cars	
	5.35 p.m.	Depart Melbourne for Sydney (T.A.A. Skymaster) Bookings arranged Dinner served in flight	Letter to be sent to Minister for courtesies for party.
	8.00 p.m.	Arrive Sydney - 4 cars Direct to Hotel Australia Accommodation arranged	File folio 82
Friday 14th	9.50 a.m.	Party to visit Premier of New South Wales leave Hotel Same procedure as in Melbourne. Car to wait	
	10.00 a.m.	Call on Premier	To be arranged by letter
	11.00 a.m.	Discussions with selected individuals from government finance and business circles. Anticipated that, as in Melbourne, these will take form of private talks between Black and business men etc.	List of businessmen, etc. to be arranged.

Particulars	Remarks
<p>1 on Premier of Victoria leave Hotel. Black two of mission will make call. State set party and introduce to Premier.</p> <p>ier</p> <p>with selected individuals from government, and business circles. Location of talks - or</p> <p>ned for lunch</p> <p>cheon</p> <p>to finish.</p> <p>d for talks in afternoon would depend on people to be interviewed and time allotted</p> <p>y 4.00p.m. would allow Black about 1 hour business e.g. dictation or press interview.</p>	<p>To be arranged by letter from Prime Minister to Premier</p> <p>List of "selected individuals" to be compiled and times of calls to be drawn up. Suitable room to be obtained at Hotel.</p> <p>Will be arranged at Hotel when details, such as number of guests, are known.</p>
<p>f information regarding Mrs. Black's special following time table is suggested :-</p> <p>on scenic tour of Melbourne and environs, by those of party not required by Black.</p> <p>tel</p> <p>r wife of Minister who will entertain Mrs. nch, or 1 Ministers living in Melbourne (5) might er jointly</p>	<p>Suitable route to be arranged with State officers.</p> <p>It is understood that Mrs. Casey and Mrs. Holt would be pleased to entertain Mrs. Black. Luncheon could be arranged through Prime Minister's Department.</p>
<p>Hotel for aerodrome - 4 cars</p> <p>urne for Sydney (T.A.A. Skymaster) rranged ved in flight</p> <p>y - 4 cars Hotel Australia ion arranged</p>	<p>Letter to be sent to Mr. G.P.N. Watt requesting all courtesies for party.</p> <p>File folio 82</p>
<p>it Premier of New South Wales leave Hotel ure as in Melbourne.</p> <p>ier</p> <p>with selected individuals from government business circles. that, as in Melbourne, these will take form talks between Black and business men etc.</p>	<p>To be arranged by letter from Prime Minister's Dept. to Premier.</p> <p>List of businessmen, etc. and time of each discussion to be arranged.</p>

Date	Time	Particulars	
Friday (contd)	12.30 p.m.	Discussions terminated for lunch (informal at Hotel)	
	2.30 p.m.	Resume discussions - if not already completed. If completed - private business e.g. Black may wish to summarize his impressions on completion of "official" part of programme	
	Morning	<u>Mrs. Black</u> Appointment with hairdresser and for Visit to Zoo where Mr. E.J. Hallstrom will meet Mrs. Black at gate and drive through Zoo, paying special attention to Australian section - close ups of koalas etc.	Can be arranged through
	Afternoon	Informal lunch, followed by scenic tour of Sydney and surroundings	Suitable route could be Department.
	Evening	Dinner with (a) U.S. Consul-General and wife, or (b) wife of Minister.	
	7.30 p.m.	Official Dinner Location - Hotel Australia	To be arranged with Hot
Saturday 15th		No formal engagements Visit to sheepstation. Mr. Anthony (P.M.G) suggested visit to "Haddon Rig", Warren, N.S.W. when it was anticipated that only Mr. & Mrs. Black would go. All members of party (9) wish to make visit "Haddon Rig", will accommodate only 4 guests An alternative might be "Boonooke", 20 miles from Deniliquin, N.S.W. owned by Mr. O. McL. Falkiner - a friend of the Prime Minister - who is visiting U.S. later this year. Accommodation at station is limited to 6 but Allen suggests those in excess of this number could stay at a Hotel in Deniliquin. Air travel is involved if visit takes place	See file folios 25 & 28 See file folio 46 Special plane will be r
Saturday		Normal flying time Sydney-Deniliquin - 1½ hrs. To arrive at station by noon, party would leave Mascot at approximately 9.45 a.m. and Hotel at 9.15 a.m. 3 cars would be needed. Transport from Deniliquin to "Boonooke" is provided by station. Overnight at sheep-station.	
Sunday 16th	Afternoon 2.30 p.m. 5.15 p.m. Evening	Party to leave station and arrive in Sydney in time for tea at Hotel Australia. 3 cars at Mascot. Suggested time of departure from Station Arrive at Hotel Australia Time required for packing and/or resting prior to departure for New Zealand.	

Particulars	Remarks
terminated for lunch (informal at Hotel) sessions - if not already completed. - private business e.g. Black may wish his impressions on completion of "official" programme	
with hairdresser and for Visit to Zoo where Allstrom will meet Mrs. Black at gate and High Zoo, paying special attention to Kangaroo section - close ups of koalas etc.	Can be arranged through Prime Minister's Dept. and Premier's Dept.
which, followed by scenic tour of Sydney and S	Suitable route could be arranged with State Officials in Premier's Department.
(a) U.S. Consul-General and wife, or (b) wife of Minister.	
Hotel Australia	To be arranged with Hotel when details are known.
engagements	
Depot station.	
Mr. (P.M.G) suggested visit to "Haddon Rig", N.S.W. when it was anticipated that only Black would go. Members of party (9) wish to make visit "Haddon" accommodate only 4 guests	See file folios 25 & 28(4)
Place might be "Boonooke", 20 miles from N.S.W. owned by Mr. O. McL. Falkiner - the Prime Minister - who is visiting Australia this year. Accommodation at station for 6 but Allen suggests those in excess of 6 could stay at a Hotel in Deniliquin.	See file folio 46
Personnel involved if visit takes place	Special plane will be required.
Travel time Sydney-Deniliquin - 1½ hrs. Departure station by noon, party would leave Mascot approximately 9.45 a.m. and Hotel at 9.15 a.m. No special arrangements to be needed.	
Transportation from Deniliquin to "Boonooke" is provided by	
sheep-station.	
Departure station and arrive in Sydney in time for Hotel Australia. 3 cars at Mascot.	
Time of departure from Station	
Hotel Australia	
Arrangements for packing and/or resting prior to departure from Deniliquin.	

Date	Time	Particulars	
Sunday 17th	9.30 p.m.	Leave Hotel for Rose Bay airport. 3 cars. 2 to wait Baggage will be sent out at 9.15 p.m. Tax clearances will be obtained from Taxation Office, Canberra and presented to T.E.A.L. when tickets are collected. T.E.A.L. have agreed to party arriving later than usual \times $1\frac{1}{2}$ hrs. prior to departure.	T.E.A.L. bookings have been
	9.45 p.m.	Arrive Rose Bay airport. Customs clearance to be completed Immigration formalities to be completed	Present time table allows
		Press interview Farewells by Minister and officials	Dept. has been requested " " " " " " Dept. of Health not intere
	10.15 p.m.	Board aircraft	Prime Minister to be requ
	10.30 p.m.	Depart for New Zealand Cope, Kamarck and officials return to Hotel in waiting cars.	



Record Removal Notice

File Title Records of President Eugene R Black - 1952 Travel - Travel 03		Barcode No. 1769301		
Document Date Feb 22, 1952	Document Type Letter			
Correspondents / Participants To : Eugene R. Black From : W. A. B. Iliff				
Subject / Title Detailed information on the activities of the Bank				
Exception No(s). <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
Reason for Removal Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.		
		<table border="1"><tr><td>Withdrawn by Vlada Alekankina</td><td>Date Sep 9, 2010</td></tr></table>	Withdrawn by Vlada Alekankina	Date Sep 9, 2010
Withdrawn by Vlada Alekankina	Date Sep 9, 2010			



Record Removal Notice

File Title Records of President Eugene R Black - 1952 Travel - Travel 03	Barcode No. 1769301
--	-----------------------------------

Document Date Feb 21, 1952	Document Type Letter
--------------------------------------	--------------------------------

Correspondents / Participants
To : W. A. B. Iliff

From : Eugene R. Black

Subject / Title
About Pakistani Recruits

Exception No(s).
 1
 2
 3
 4
 5
 6
 7
 8
 9
 10 A-C
 10 D
 Prerogative to Restrict

Reason for Removal
Personal Information

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by Vlada Alekankina	Date Sep 9, 2010
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Black trip

1) ^{wd.} *M. Diamond*
2) *Files.*

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

*This letter was
shown to Mr. Selek by
Mr. Barnes. Mr. S. wrote
immediately to Istanbul*

Mr. Robert L. Garner
1818 H Street N.W.
Washington 25, D. C.

January 28, 1952

*and he believes the IBRD will
have replied to Bach by now.*

Dear Bob:

As you probably have heard our plane was grounded at Gander due to engine trouble and we stayed there about 17 hours. Instead of arriving in London at 10:30 Saturday morning, we arrived at 5 o'clock Sunday morning. I had a couple of hours sleep and then went out and spent Sunday and Sunday night with Cobbold.

*Ev 14
ii*

Before going out to Cobbold's, however, I had a good talk with Bach. I told him that we, as well as the Turks, felt he should make up his mind and reach a decision immediately as to whether he would accept the position with the Industrial Development Bank. He told me that he was awaiting a reply to a letter he had written the Turks on January 8th. The reason he wrote this letter was that when he received a copy of the contract from the Turks it failed to contain certain things which were agreed on in principle between Bach and the President of the Bank when they met in Germany. Bach cannot understand the reasons for the changes in the contract and although they might seem minor matters he feels that a proper way for him to take on this job is to have a complete understanding.

*X Secretary
Cobbold's letter*

Bach is anxious and willing to close this matter just as soon as possible but he is so busy in his present work that he is unable to go to Turkey to talk over these matters. Until a contract is agreed on he naturally does not want to jeopardize his present job. He said, however, that if the Industrial Bank is unable to accept the points raised in his letter he would be willing to meet a representative of the Bank somewhere in Western Europe, not as far off as Turkey, and try to straighten out all the points involved.

I told him we were extremely anxious to get this settled immediately but, after hearing his story, frankly, I think he is probably in the right to wait for an answer to his letter of January 8th. I believe it might be helpful if you would get Selek to have his letter answered promptly and, if possible, to accept the points he raised. I think Bach feels that, while he is perfectly happy in his present job, he would like to take on this job but wants to be sure there is complete understanding between himself and the directors of the Bank before he signs the contract.

Best regards.

Gene

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

JAN 31 9 00 AM 1952

Mr. Robert L. Garner
1818 N Street N.W.
Washington 25, D. C.

Dear Bob:

As you probably have heard our plane was grounded at
Gander due to engine trouble and we stayed there about
14 hours. Instead of arriving in London at 10:30 Saturday
morning, we arrived at 5 o'clock Sunday morning. I had a
couple of hours sleep and then went out and spent Sunday
and Sunday night with Cobbold.

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talk with Bach. I told him that we, as well as the Turks,
felt he should make up his mind and reach a decision immed-
iately as to whether he would accept the position with the
Industrial Development Bank. He told me that he was await-
ing a reply to a letter he had written the Turks on January
8th. The reason he wrote this letter was that when he re-
ceived a copy of the contract from the Turks it failed to
contain certain things which were agreed on in principle
between Bach and the President of the Bank when they met
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changes in the contract and although they might seem minor
matters he feels that a proper way for him to take on this
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Bach is anxious and willing to close this matter just
as soon as possible but he is so busy in his present work
that he is unable to go to Turkey to talk over these matters.
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regard his present job. He said, however, that if the
Industrial Bank is unable to accept the points raised in his
letter he would be willing to meet a representative of the
Bank somewhere in Western Europe, not as far off as Turkey,
and try to straighten out all the points involved.

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immediately but, after hearing his story, frankly, I think he
is probably in the right to wait for an answer to his letter
of January 8th. I believe it might be helpful if you would
get Selak to have his letter answered promptly and, if possible,
to accept the points he raised. I think Bach feels that, while
he is perfectly happy in his present job, he would like to
take on this job but wants to be sure there is complete under-
standing between himself and the directors of the Bank before
he signs the contract.

Best regards,

[Handwritten signature]

Black trip

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

FOR THE PRESS

FOR RELEASE
Friday, 12 o'clock noon
January 25, 1952

Press Release No. 278

Eugene R. Black, President of the International Bank for Reconstruction and Development, leaves New York today, January 25, on a two-month journey which will take him to Pakistan, India, Ceylon, Thailand and Australia. En route, he will spend a few days in London.

The purpose of Mr. Black's journey is to acquaint himself at first hand with problems of economic development in some of the Bank's member countries. He will discuss these problems with officials and other persons concerned. Wherever possible, he will visit development projects being carried out in the countries he is visiting.

Mr. Black will be accompanied by Leonard Rist, the Bank's Economic Director, Joseph Rucinski, a Loan Officer of the Bank, and Harold Graves, the Bank's Director of Public Relations.

On his way back to the United States, Mr. Black will take advantage of an invitation from the Government of New Zealand and will stop briefly in that country. His basic itinerary is as follows:

- February 3 -- Arrive Karachi, Pakistan
- February 10 - Arrive New Delhi, India
- February 23 - Arrive Colombo, Ceylon (departing Bombay, India, the same day)
- March 4 -- Arrive Bangkok, Thailand
- March 10 -- Arrive Sydney, Australia
- March 17 -- Arrive Wellington, New Zealand
- March 18 -- Arrive Auckland, New Zealand
- March 20 -- Arrive San Francisco (via Honolulu, T.H.)

Copy filed - "Press Release"

January 22, 1952

MR. BLACK'S TRIP TO THE FAR EAST

ITINERARY

						<u>TRAVEL TIME</u>	<u>DAYS</u>
Ar: Karachi	10:50 p.m.	Sun.	Feb. 3	British Airways Argonaut #780		3:15	
				Government House			6½
Lv: Lahore about 10:00 a.m.		Sun.	Feb. 10	Pakistan Air Force		2:00	
Ar: New Delhi about 12:00 noon		Sun.	Feb. 10				
				Government House			
Lv: New Delhi	7:30 a.m.	Fri.	Feb. 15	Indian National			
Ar: Calcutta	11:45 a.m.	Fri.	Feb. 15	Dakota		4:15	
				Government House			
Lv: Calcutta	7:00 a.m.	Thurs.	Feb. 21	Air India			
Ar: Bombay	12:50 p.m.	Thurs.	Feb. 21	Viking #509		5:50	
				Government House			12
Lv: Bombay	7:10 a.m.	Sat.	Feb. 23	Air India			
Ar: Colombo	3:45 p.m.	Sat.	Feb. 23	DC 3 #521		8:35	
				Galle Face Hotel			7½
Lv: Colombo	8:00 a.m.	Sun.	Mar. 2	British Airways			
Ar: Singapore	5:50 p.m.	Sun.	Mar. 2	Argonaut #768			
				Hotel Raffles or Government House			2
Lv: Singapore	8:45 p.m.	Mon.	Mar. 3	Cathay			
Ar: Bangkok	1:00 a.m.	Tues.	Mar. 4	DC 4		4:15	
				Government House			4
Lv: Bangkok	3:30 p.m.	Sun.	Mar. 9	Royal Dutch Airways (KLM)			
Ar: Sydney	8:30 p.m.	Mon.	Mar. 10	Constellation #829		26:00	
				Hotel Australia			6
Lv: Sydney	10:30 p.m.	Sun.	Mar. 16	Tasman Empire Airways			
Ar: Wellington	7:30 a.m.	Mon.	Mar. 17	Solent #882		7:00	
				Hotel Waterloo			1
Lv: Wellington	9:40 a.m.	Tues.	Mar. 18	New Zealand Airways			
Ar: Auckland	11:35 a.m.	Tues.	Mar. 18	DC 3 #152		1:55	

				<u>Travel Time</u>	<u>Days</u>
Lv: Auckland	3:00 p.m.	Tues.	Mar. 18	British Commonwealth	
Ar: Honolulu	1:00 p.m.	Tues.	Mar. 18	Pacific Airways DC 6	20:30
Hotel Royal Hawaiian					1
Lv: Honolulu	8:00 p.m.	Wed.	Mar. 19	United Air Lines	
Ar: San Francisco	7:45 a.m.	Thurs.	Mar. 20	Stratocruiser #46	9:15
Hotel Mark Hopkins					2½
Lv: San Francisco	10:10 p.m.	Sat.	Mar. 22	United Air Lines	
Ar: Washington	10:50 a.m.	Sun.	Mar. 23	DC 6 #630	9:40

Note: Flights within the visited countries are shown on separate schedules for each country.

PAKISTAN

(February 3 to February 10)

1. Met with:

Governor General - Ghulam Mohammed
Prime Minister - Nazimuddin
Finance Minister - Mohammed Ali
Economic Affairs - Faslur Raman
Minister of Industries - Sardar Nishtar
Governor of the State Bank - Said Hussain and private bankers
Chairman of Pakistan Industrial Development Corporation -
Faruque
The Aga Khan
Governors and Prime Ministers of Northwest Province and Punjab

2. Discussions with the Government in Karachi regarding Indus Water Problem.

3. Visited:

- (a) Peshawar.
- (b) Dargai-Malakand hydroelectric project financed by the Government.
- (c) Site of Warsak hydroelectric project.
- (d) Thal development area and the site of Mianwali hydroelectric project.
- (e) Lahore.
- (f) Bank staff visited water canals near Lahore.

4. Projects under active consideration:

- (a) Agricultural machinery for the Thal development area (approx. amount \$3.25 million). (visited)
- (b) Paper Mill Project (approx. amount \$2.75 million equivalent) discussed with Faruque, Chairman of the Pakistan Industrial Development Corporation.

5. Possible future projects for Bank financing:

- (a) Hydroelectric power project at Warsak.
- (b) Hydroelectric power project at Mianwali (Thal area).
- (c) Hydroelectric power project at Karnaphali in East Pakistan.
- (d) Pakistan Industrial Development Corporation (share capital Rs. 1 crore (\$3 million equivalent). Three Board members already appointed - Ispahani, Faruque and Amjad Ali.

Pakistan (continued)

6. Technical Assistance requested from the Bank:

- (a) Economic adviser (suggested two names).
- (b) Expert on planning of development (Basch detailed for three months).
- (c) Tax expert.
- (d) Power expert to review power needs and recommend solution. (UNTAAs engineer is now in Pakistan studying the situation; Bank refrained from sending an expert until his mission has been completed.)
- (e) Adviser to the State Bank of Pakistan (suggested one name).
- (f) Lack of coordination in the requests for experts; similar experts are requested from various agencies and Colombo Plan Governments -- experts' duties are not well defined and overlapping will arise.

7. Consultation between the Bank and Government's contributing to the Colombo Plan:

It was proposed that all parties concerned, i.e., the Pakistan Government, the Bank and the donor countries will consult on the type of contributions to be made, but no formal agreement on the mechanism of consultation has been reached.

8. Bank request that all matters pertaining to the relations between the Bank and Pakistan be dealt on the Pakistani side by the Ministry of Finance.

INDIA

(February 10 to February 23)

1. Met with:

President of the Republic - Prasad
 Prime Minister - Nehru
 Ministers of the Central Government
 G. D. Birla, Dr. John Mathai, J. J. Gandhi, Sir Biren
 Mookerjee, Sir R. Mudaliar
 Governors and Prime Ministers; Ministries of West Bengal
 and Bombay
 Governor Rama Rau and Vice Governors of the Reserve Bank,
 private bankers and industrialists
 Chairmen of the Central Tractor Organization and of the
 Damodar Valley Corporation

2. Discussions with the Government in Delhi regarding Indus Water Problem.3. Visited:

- (a) Faridabad settlement.
 - (b) Kans grass project near Bhopal.
 - (c) Jamshedpur (Tata Steel Works).
 - (d) Telco Locomotive Works at Jamshedpur.
 - (e) Burnpur (Steel Company of Bengal).
 - (f) Kulti (Indian Iron and Steel Company).
 - (g) Sindri Fertilizer Plant.
 - (h) Bokaro thermal power plant.
 - (i) Konar Dam
 - (j) Maithon dam site
 - (k) Calcutta.
 - (l) Bombay.
- } component projects of the
 } Damodar Valley Corporation.

4. Projects financed by the Bank:

- (a) Kans Grass Project - difficulties in obtaining partly cultivated land for clearance (hesitancy on the part of local authorities to impose the ban on spring crops).
- (b) Bokaro-Thermal Plant - need for additional foreign technicians. Satisfactory progress in the thermal plant which will come into operation at the end of 1952. Delays in the construction of the Konar Dam.

India (continued)

5. Future Lending Operations:

- (a) Currency question - Government's position - no dollar borrowing for non-dollar expenditures except if non-dollar element relatively small or if project would result in improvement of net dollar position.
- (b) Railway project - no dollars required - project withdrawn.
- (c) Pig iron and expansion of steel - problem of internal price. Companies could finance modernization and expansion if price of steel products raised by 25%. Half of this increase would be paid back to the Government as taxes.
- (d) Completion of the first-phase of the Damodar Valley Project (Maithon and Panchet Hill). Bank engineer will visit Damodar in May. When all these projects completed, power needs in this area will be satisfied for several years to come.
- (e) Fertiliser plant at Mysore - project studied by the Bank.
- (f) Industrial Finance Corporation - need for changes in the Corporation's statutes (financing Government enterprises and increasing maximum amount of loans) and reorganization of management to deal with new projects and large loans.
- (g) Shipping - loan secured by mortgages could be considered if Indian Government could obtain ships.
- (h) Power in Bombay State - need for investigation - Bank engineer will visit Bombay in May.
- (i) Agricultural development and power in Madras and Travancore-Cochin - studies required. Indian Government will inform Bank about decisions taken by the Planning Commission regarding development project in these states.

6. Technical Assistance:

- (a) Expert on power to study Damodar Valley projects and power situation in the Bombay State - Bank expert will visit India in May.
- (b) Steel expert to investigate all aspects of the pig iron and steel problem.
- (c) Possibly an economic adviser on major economic problems to be further discussed with the Indian Government.

CEYLON

(February 23 to March 4)

1. Met with:

Prime Minister - Senanayake (who since died)
Finance Minister - Jayewardene
Home Minister - Goonetilleke
Secretaries in charge of Economic Affairs
Governor of the Bank of Ceylon - Exter - and his staff

2. Visited:

- (a) Colombo Plan Exhibition.
- (b) Nuwera Eliya.
- (c) Gal Oya Development - dam and jungle clearance.
- (d) Pollonaruwa and colonization schemes near Minneriya.
- (e) Kandy - university site.

3. Foreign exchange position and bond market situation.

Still strong dollar and sterling position, bond market, although limited in volume, probably best in Asia.

4. No concrete discussions on possible lending operations since no pressing need for external assistance. Possible sectors for external assistance indicated by the Government - industries on the West Coast and power and irrigation in the Northwest. No definite program will be discussed until Bank's Mission report ready.

THAILAND

(March 4 to March 9)

1. Met with:

Prime Minister - Songgram
 Cabinet Ministers in charge of economic problems
 Prince Vihat
 Governors of the Bank of Thailand, Heads of the Irrigation Department, Port of Thailand and the Thai Railways, Representatives of the Amsterdamsche Ballast, head of the MSA mission and experts

2. Visited:

- (a) Port and dredging operations.
- (b) Makassan Workshops.

3. Projects financed by the Bank:

- (a) Irrigation - good progress being made.
- (b) Port of Thailand - dredging operation has been delayed but it is hoped the bar will be opened by the end of 1952.
- (c) Railway Project - no progress made and Bank sending engineer to review Makassan Workshops' plans or take final decisions regarding size of workshops and equipment required.

4. Possible future projects for Bank financing:

- (a) Power need very acute, situation must be studied thoroughly to determine best solution. Bank promised to send power expert as soon as Government established a power Board with full authority to deal with the power problem. Possible projects - Kang Rieng and Tak - the latter is multipurpose and includes irrigation.
- (b) Industrial Development Bank - No private capital seems to be available and Industrial Bank could be organized only as a Government institution, similar to the one in Ethiopia. IBRD might assist in the establishment of the Industrial Bank and, if need for such an institution at this time would be justified, IBRD might consider loan provided the Government would agree that the management of the Industrial Bank would be appointed with full concurrence of IBRD.

Thailand (continued)

5. Technical Assistances:

- (a) Adviser to the railways - names of two new candidates already sent to Bangkok.
- (b) Power expert - we will await word from the Thai Government on the establishment of the Power Board.
- (c) Economic adviser to assist in the preparation of an economic plan and, later, tax and capital market experts.

A U S T R A L I A (March 11th - March 16th)

- I. - Met with: Governor General (Mc Kell)
 Prime Minister (Menzies)
 and members of Commonwealth Cabinet
 individually and as a group (particularly
 Sir A. Fadden, Holt and Casey)
 Premier of State of Victoria (Mc Donald)
 Premier of State of New South Wales (Mc Girr)
 Governor and Vice Governor of Commonwealth
 Bank (Coombs & Richardson)
 Businessmen, industrialists, bankers and
 representatives of Labor
 Important sheep farmer Mr. Faulkner, our
 host at Boonoke sheep station
 Civil servants of Treasury and States, such
 as Roland Wilson, Secretary to Treasury,
 former Alternate Executive Director for
 Australia on IBRD Board who acted as
 liaison agent during our stay,
F.H. Wheeler, First Assistant Secretary,
 who had negotiated the loan,
L. East, Victoria State Rivers & Water
 Supply Commission,
J.F. Cochrane, Joint Coal Board

- II. - Visited: Sydney, Canberra, Melbourne
 and sheep station Boonoke (Deniliquin)

III. - General Situation:

We arrived just as need for revision of
 economic policies had been publicly announced.

Causes:

- price of wool declined over 50% from peak of year ago
- import boom
- slowly rising interest rates and financing difficulties
- excessive investment expenditures compared with financial resources
- very slight unemployment making for some mobility in manpower.

As a result:

- drastic cut in imports from whatever source, including U.K.
- reduction in public works expenditures of Commonwealth and States.
- drive for more production of basic commodities, in particular wheat.

However, long-term objectives remain those stated to us originally:

- a) foster immigration: although target temporarily reduced from 200,000 a year to 150,000, aim is still to reach 20 million population within next 18 to 20 years (now nearly 9,000,000)
- b) develop basic commodities (coal, steel, wheat)
- c) in the opinion of Australian Government, financial assistance necessary for:
 1. hastening development process,
 2. doing it on economical basis.Their implicit intention is to borrow dollars only for dollar equipment.

IV. - Bank loan of \$100 million:

- Cope and Kamarck reported that spending was proceeding smoothly.
- In spite of drastic cuts in public works, important

irrigation and electric power project of Eildonwiar (Victoria) not slowed down. We financed earth moving equipment.

V. - Possible Future Projects:

- a) Coal - N.S. Wales - Lack of expansion of coal blocks expansion of steel.

Total cost of equipment program for next 3-4 years: \$220,000,000.

U.S. equipment well fitted for wide seams current in Australia.

In addition, railroad equipment.

- b) Thermopower: Total cost equivalent of \$1,000 million (?) in 4-5 years. Only planned, not initiated.

- c) Water conservation - Hydropower: Commonwealth projects together about \$100/120 million a year. Main project is Snowy Mountain, in N.S.W., North of Canberra; now under way, involves also extended irrigation; expenditures now at rate of \$15/20 million a year.

- d) Special Projects of State of Victoria:

About \$100 million a year for 4-5 years, include:

1. expansion of brown coal production,
2. manufacture of briquettes for railroads and thermopower,
3. expansion of thermopower facilities.

In addition, need for Railway improvement
Road improvement
irrigation & settlement.

Cope and Kamarek now looking over these projects and others in Tasmania and West or South Australia about which we have no particulars.

Conclusion:

IBRD expressed desire to consider future assistance to Australia for equipment imports directly related to specific projects. Government has in principle agreed with this view.

NEW ZEALAND

(March 17 to March 25)

1. Met with:

Prime Minister - Holland
 The Cabinet
 The Governor of the Reserve Bank and his Board and staff
 Representatives of business concerns

2. General discussions with the Cabinet regarding the role of the Bank.3. Visited:

- (a) Kaironga forest and the site of proposed pulp and paper mill at Marupara (on the plane).
- (b) Maori settlement at Whaka (Rotorua).

4. Financial situation of New Zealand:

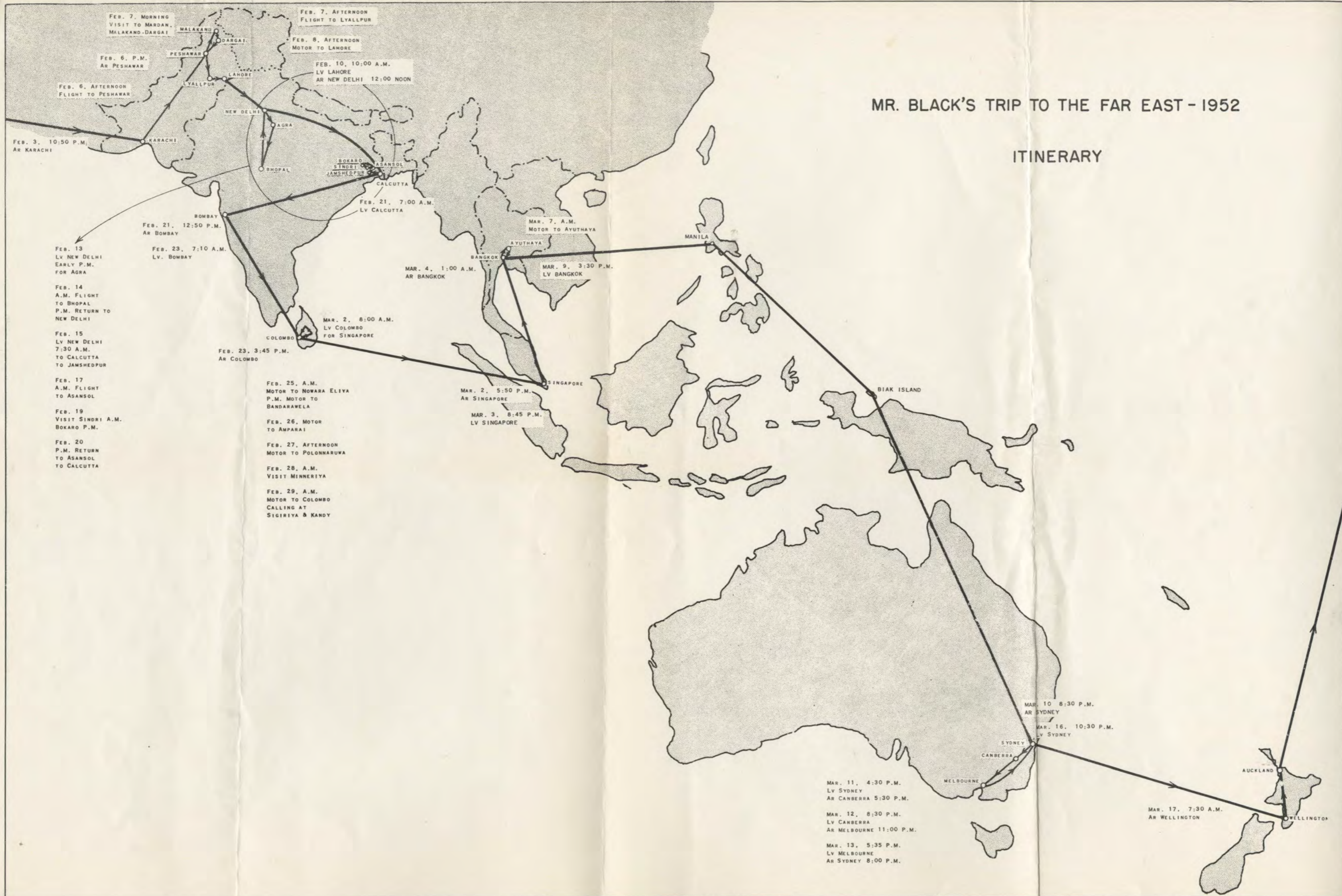
- (a) Fairly sound over-all foreign exchange position but difficulties on the dollar side.
- (b) Local currency availability rather satisfactory.
- (c) £ 120 million are spent annually on gross investment of which about one-half by the central and local Governments. £ 120 million represents over 1% of the national income, which, however, is heavy for New Zealand.

5. Possible projects for financing:

- (a) Marupara Pulp and Paper Mill, total cost, including port and railway expansion, equivalent to \$80 million.
- (b) Power development in Maraita on the North Island, total generating capacity 117,000 KW of which 70,000 KW will be in operation at the end of this year.
- (c) Hydroelectric power at Roxburgh on the South Island -- potential capacity 300,000 KW to be used by agriculture, industries (aluminium) and domestic use on South Island.

MR. BLACK'S TRIP TO THE FAR EAST - 1952

ITINERARY



*M. Black's
Tour*

THAILAND

(from Wednesday, March 5 to Sunday, March 9, 1952)

Tuesday Mar. 4	Wednesday Mar. 5	Thursday Mar. 6	Friday Mar. 7	Saturday Mar. 8	Sunday Mar. 9
Ar. <u>Bangkok</u> 1 AM Cathay Calls: 11 AM - 1 PM Prime Minister and Minister of Finance. Lunch free. Call: 3 PM Governor of Bank of Thailand. Evening - reception by Prime Minister. Lodging - Govern- ment House.	<u>Bangkok</u> Morning - visit to port of Bangkok and dredging opera- tions (by tug). Afternoon free. Dinner - Finance Ministry.	Morning - by car to <u>Ayutthaya</u> . Lunch in Ayutthaya and return to <u>Bangkok</u> . Afternoon meeting with representa- tives of banks and business. Dinner by Governor of Bank of Thai- land.	<u>Bangkok</u> Visit by plane to <u>Chieng Mai</u> (Northern Thai- land) or to <u>Phuket</u> tin mines.	Morning return by plane to <u>Bangkok</u> . Rest of day free.	<u>Bangkok</u> Morning free. Lv. for Sydney 3:30 PM KIM #829.

C E Y L O N

(from Saturday, February 23 to Sunday, March 2, 1952)

Saturday Feb. 23	Sunday Feb. 24	Monday Feb. 25	Tuesday Feb. 26	Wednesday Feb. 27	Thursday Feb. 28	Friday Feb. 29
<p>Ar. Colombo 3:45 PM Air India #521.</p> <p>No engage- ments.</p> <p>Lodging - Galle Face Hotel</p>	<p><u>Colombo</u> Calls: 11 AM - 1 PM Prime Minister and Finance Minister.</p> <p>Afternoon visit to Colombo exhibition.</p>	<p>Morning - by car to <u>Nuwara Eliya</u>.</p> <p>Lunch at Nuwara Eliya.</p> <p>Afternoon by car to <u>Bandarawela</u>.</p> <p>Lodging - Bandara- wela Hotel.</p>	<p>Morning - by car to <u>Amparai</u> in the Gal Oya Valley.</p> <p>Lodging - Amparai Circuit Bungalow.</p>	<p>Morning - visit to Gal Oya irriga- tion and settle- ment project.</p> <p>Lunch at Amparai.</p> <p>Afternoon by car to <u>Polonnaruwa</u>.</p> <p>Lodging - Polon- naruwa Rest House.</p>	<p>Morning - visit to Antiquities and Settlement at <u>Minneriya</u>.</p> <p>Lunch at Minneriya.</p> <p>Lodging - either Polonnaruwa Rest House or Sigiriya Rest House.</p>	<p>Morning - by car to <u>Colombo</u> calling at Kandy.</p> <p>Lodging - Galle Face Hotel.</p>

Saturday Mar. 1	Sunday Mar. 2
<p><u>Colombo</u></p> <p>Morning - meeting with representa- tives of Govern- ment, Bank of Ceylon and business.</p> <p>Afternoon free.</p>	<p>Lv. for Singa- pore 8 AM. BOAC #768.</p>

A U S T R A L I A

(from Tuesday, March 11 to Sunday, March 16, 1952)

Monday Mar. 10	Tuesday Mar. 11	Wednesday Mar. 12	Thursday Mar. 13	Friday Mar. 14	Saturday Mar. 15	Sunday Mar. 16
<p>Ar. <u>Sydney</u> 8:30 PM- KIM #829.</p> <p>Lodging - Hotel Australia.</p>	<p><u>Sydney</u> Morning - dis- cussions with Messrs. Cope and Kamarck.</p> <p>Lv. for <u>Canberra</u> 4:30 PM Ar. Canberra 5:30 PM</p> <p>Lodging - Mr. and Mrs. Black at Prime Minister's lodge; Rest of party, Canberra Hotel.</p>	<p><u>Canberra</u> Calls: Governor General US Ambassador and Commonwealth Ministers.</p> <p>Lv. Canberra 8:30 PM.</p> <p>Ar. <u>Melbourne</u> 11 PM.</p> <p>Lodging - Hotel Menzies.</p>	<p><u>Melbourne</u> Call: State Premier.</p> <p>Discussions with representatives of Government, business and finance.</p> <p>Official lunch.</p> <p>Lv. Melbourne 5:35 PM Ar. <u>Sydney</u> 8 PM.</p> <p>Lodging - Hotel Australia.</p>	<p><u>Sydney</u> Call: State Premier.</p> <p>Discussions with representatives of Government, business and fin- ance.</p> <p>Lunch free.</p> <p>Official dinner.</p>	<p>Visit by car or plane to a sheep station near Sydney.</p>	<p>Morning - at sheep station.</p> <p>Afternoon return to <u>Sydney</u>.</p> <p>Lv. for Wellington, N.Z. 10:30 PM Tasman Empire Railways #882.</p>

INDIA

(from Sunday, February 10 to Saturday, February 23, 1952)

Sunday Feb. 10	Monday Feb. 11	Tuesday Feb. 12	Wednesday Feb. 13	Thursday Feb. 14	Friday Feb. 15	Saturday Feb. 16
<p>Ar. <u>New Delhi</u> about 12 noon Pakistan Air Force plane.</p> <p>No engagements.</p> <p>Lodging - Mr. and Mrs. Black and Miss Linahan, Government House; Rest of party, Imperial Hotel.</p>	<p><u>New Delhi</u> Calls: 10 AM - Minister of Finance. 12 noon - Prime Minister.</p> <p>Lunch with P.M.</p> <p>Calls: 3-5 PM - Ministers of Central Government.</p> <p>Evening free.</p>	<p><u>New Delhi</u> Calls: 10-12 noon - Ministers of Central Government.</p> <p>Lunch free.</p> <p>Calls: 3-5 PM - meeting with Planning Commission. 6 PM - cocktails by Minister of Finance. 8 PM - dinner by President of Republic of India.</p>	<p><u>New Delhi</u> 10-12 noon - Discussions with Prime Minister.</p> <p>Lunch free.</p> <p>Lv. early afternoon by special plane to <u>Agra</u>.</p> <p>Evening visit to Taj Mahal.</p> <p>Night at Agra.</p>	<p>Morning flight by special plane to <u>Bhopal</u>.</p> <p>Visit to Kans grass reclamation operations.</p> <p>Evening - return to <u>New Delhi</u>.</p> <p>Dinner - US Embassy.</p>	<p>Lv. 7:30 AM Indian Nat'l to Calcutta and from Calcutta to <u>Jamshedpur</u> by Tata's plane.</p> <p>Lodging at Tata Director's bungalow.</p> <p>Dinner by Tata Steel Company.</p>	<p><u>Jamshedpur</u> Morning visit to Tata Steel Works.</p> <p>No engagements during rest of day.</p> <p>(golf and tennis available)</p>

Sunday Feb. 17	Monday Feb. 18	Tuesday Feb. 19	Wednesday Feb. 20	Thursday Feb. 21	Friday Feb. 22	Saturday Feb. 23
<p>Morning flight to <u>Asansol</u> by Tata's plane.</p> <p>Lodging at Kulti Director's bungalow.</p> <p>No engagements.</p> <p>Dinner by Sir Biren Mookerjee Chairman of Board of Steel Corp. of Bengal (SCOB).</p>	<p><u>Kulti</u> Morning visit to SCOB steel mill.</p> <p>Lunch at Burnpur Director's bungalow.</p> <p>No engagements during rest of day.</p>	<p>Morning visit to <u>Sindri</u> fertilizer plant.</p> <p>Lunch at Sindri plant.</p> <p>Afternoon by car to Bokaro (Damodar Valley project financed by Bank).</p> <p>Lodging - Bokaro bungalow.</p>	<p><u>Bokaro</u> Morning visit to Bokaro and Konar projects. Afternoon return to Asansol by car. Thence by Tata's plane to <u>Calcutta</u>.</p> <p>Lodging - Mr. and Mrs. Black and Miss Linahan, Government House; Rest of party, Great Eastern Hotel. Dinner by H.E. Governor of West Bengal.</p>	<p>Lv. Calcutta for Bombay 7 AM Air India. Ar. <u>Bombay</u> 12:50 PM.</p> <p>Lodging - Mr. and Mrs. Black and Miss Linahan, Gov't House; Rest of party, Taj Mahal Hotel.</p> <p>Afternoon tour of town by car.</p> <p>Dinner by Governor Reserve Bank of India.</p>	<p><u>Bombay</u> Calls: 10-11 AM - Prime Minister of Bombay State and Ministers. 11:30 AM - 1 PM - Reserve Bank of India.</p> <p>Lunch by H.E. Governor of Bombay. 3-5 PM meeting with banking and business community.</p> <p>Evening free.</p>	<p>Lv. for Colombo 7:10 AM, Air India #521.</p>

PAKISTAN

(from Sunday, February 3 to Sunday, February 10, 1952)

Sunday Feb. 3	Monday Feb. 4	Tuesday Feb. 5	Wednesday Feb. 6	Thursday Feb. 7	Friday Feb. 8	Saturday Feb. 9
<p><u>Ar. Karachi</u> 10:50 PM BOAC #780.</p> <p>Lodging - Government House.</p>	<p><u>Karachi</u> Calls on: Cabinet Ministers.</p> <p>Lunch free.</p> <p>Reception by Governor General.</p>	<p><u>Karachi</u> Morning, calls on: Prime Minister Cabinet Ministers.</p> <p>Lunch free.</p> <p>Afternoon: Meeting with Gov. of State Bank and bankers.</p> <p>Dinner by Hon. Prime Minister.</p>	<p><u>Karachi</u> Morning visit to industrial area near Karachi.</p> <p>Lunch by Hon. Minister of Finance.</p> <p>2:15 PM - in Pakistan Air Force plane to <u>Peshawar</u> (Northwest Frontier Province).</p> <p>Lodging - Government House.</p>	<p><u>Peshawar</u> Morning, call on Chief Minister NWFP. Visit by car to Warsak (hydroelectric project).</p> <p>Lunch at Peshawar.</p> <p>Afternoon visits by car: Mardan sugar factory, Malakand-Dargai hydroelectric power development.</p>	<p>Morning by Pak. Air Force plane to <u>Mianwali</u> (Thal colonization area) and thence by car visit to Kalabagh and Thal area.</p> <p>Lunch at Mianwali.</p> <p>Afternoon by Pak. Air Force plane to <u>Lahore</u>.</p> <p>Lodging - Government House. Dinner by H.E. Gov. of Punjab.</p>	<p><u>Lahore</u> Morning, call on Chief Minister of Punjab.</p> <p>Lunch free.</p> <p>Afternoon visits to historical sites.</p> <p>Evening free.</p>

<p>Sunday Feb. 10</p> <p><u>Lahore</u> Lv. for New Delhi about 10:00 AM by Pakistan Air Force plane.</p>
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P.O. Box 1443 T.

In Reply Please Quote

Premier and Chief Secretary's Department.

Brisbane, B. 7.

**Visit to Brisbane of Mr. S.P. Cope and Dr. A.M. Kamarck,
Senior Officers of the International Bank of Reconstruction
and Development.**

Engagements

Tuesday, 18th March, 1952.

- | | | |
|------------|---|--|
| 10.00 a.m. | - | Call on the Premier of Queensland (the Honourable V.C. Gair, M.L.A.). |
| 10.30 a.m. | - | Sir John Kemp, Co-ordinator-General of Public Works.
R.L. Murray, Esq., Under Secretary, Treasury Department.
D.A. Crawford, Esq., Commissioner of Main Roads.
G.F. Clark, Esq., Under Secretary, Department of Mines.
Neil Smith, Esq., State Electricity Commissioner.
E.F. Dunne, Esq., Chairman of the Queensland Coal Board.
W.R. Nimmo, Commissioner of Irrigation and Water Supply. |
| 12 noon | - | A.F. Bell, Esq., Under Secretary, Department of Agriculture and Stock.
T.G. Hope, Esq., Chairman, Queensland Meat Industry Board.
R.P.M. Short, Esq., Chairman, Queensland Wheat Board. |
| 2.30 p.m. | - | T.E. Maloney, Commissioner for Railways.
J.L.E. Lingard, Secretary to the Commissioner for Railways. |
| 3.15 p.m. | - | L.J. McCray, Esq., President, Chamber of Manufactures.
P.J. Ross, Esq., Director, Secondary Industries Division.
A.J. Deakin, Esq., Principal of the Firm of Evans Deakin and Company Limited, Shipbuilders and General Engineers.
N. Pixley, Esq., President, Chamber of Commerce. |

Handwritten notes in red ink:
 A large oval scribble containing several 'x' marks.
 Labels: 'Cope', 'Kemp', 'Murray', 'Clark', 'Crawford', 'Clark', 'Smith', 'Dunne', 'Nimmo'.

Handwritten signatures:
 W.R. Somervell
 W.R. Webster

INTERNATIONAL MONETARY FUND

January 15, 1951

TO : Mr. Rucinski - Room 420

FROM: B. R. Shenoy *BRS*

The attached schedules of the tour and social functions are as approved by the Government of India.

Change the hour of arrival from 12:00 noon from Lahore.

TOUR PROGRAM FOR MR. BLACK IN INDIA

- 10th Feb. Sunday Arrive Delhi 7:10 p.m. from Pakistan.
- 11th Feb. Monday 10:00 a.m., meet Minister of Finance
12:00 noon, call on Prime Minister
3 to 5 p.m., call on other Ministers of the
Central Government.
- 12th Feb. Tuesday 10:00 a.m. to 12 noon - Continue discussions
with Ministries and Ministers.
3 to 5 p.m. - Meet Planning Commission.
- 13th Feb. Wednesday Forenoon - Final talks with Prime Minister.
Afternoon - Leave by plan for Agra and stay
the night there.
- 14th Feb. Thursday Leave early in the morning for Bhopal and visit
the Kans Grass Reclamation Scheme there. Return
to Delhi in the evening. This journey will be
done by a special plane.
- 15th Feb. Friday Morning - Leave by service plane for Calcutta,
and from Calcutta go to Jamshedpur by Tata's
special plane.
- 16th Feb. Saturday Morning - Visit the Tata Works in Jamshedpur.
Afternoon - free for golf or tennis.
- 17th Feb. Sunday Leave for Asansol in the morning by plane and
rest at Kulti Director's Bungalow
- 18th Feb. Monday Morning - Visit SCOB Works.
Afternoon - free.
- 19th Feb. Tuesday Morning - visit Sindhri. After lunch proceed to
Bokaro and spend the night there.
- 20th Feb. Wednesday Visit Bokaro and Konar in the morning, and after
lunch return to Asansol and then proceed by Tata's
special plane to Calcutta and spend the night in
Calcutta.
- 21st Feb. Thursday 7 a.m. - leave Calcutta for Bombay.
Afternoon - Tour of Bombay City by Car.
- 22nd Feb. Friday 10 to 11 a.m. - Meet Bombay Ministers.
11:30 - 1:00 p.m. - Discussions with Reserve Bank.
Afternoon - Meet bankers and industrialists.
- 23rd Feb. Saturday Morning - Leave Bombay for Colombo.

SOCIAL FUNCTIONS TO BE ATTENDED
WHILE MR. BLACK IS IN INDIA

Feb. 10	Sunday	Arrive 7:10 p.m. No engagements.
Feb. 11	Monday	Lunch with Prime Minister at 12 noon.
Feb. 12	Tuesday	Cocktails by Minister of Finance. Dinner at Government House.
Feb. 13	Wednesday	No engagements.
Feb. 14	Thursday	Lunch at Bhopal. Dinner at the American Embassy.
Feb. 15	Friday	Dinner by Tata's
Feb. 16	Saturday	No engagements.
Feb. 17	Sunday	Dinner by Sir Biren Mookerjee.
Feb. 18	Monday	Lunch at Scobs Directors' Bungalow at Burnpur.
Feb. 19	Tuesday	Lunch at Sindri Works.
Feb. 20	Wednesday	Dinner by His Excellency the Governor of W. Bengal or Chief Minister.
Feb. 21	Thursday	Dinner by Governor of Reserve Bank.
Feb. 22	Friday	Dinner by His Excellency the Governor of Bombay.

Mr. Mendels - Room 1009

January 15, 1952

B. R. Shency

Mr. Black's trip to India

I enclose copy of the tour program and the social engagements for Mr. Black's visit to India as finalized in the correspondence with the Government of India on the subject. I shall appreciate it if you would please send me for transmission to the Government of India a brief biographical note of each member of Mr. Black's party, giving, among other details, their nationalities.

CC: Mr. Rucinski

Government of Pakistan
MINISTRY OF ECONOMIC AFFAIRS

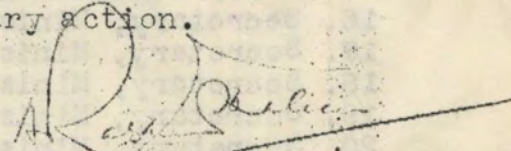
No.

KARACHI, the 3rd February 1952.

OFFICE MEMORANDUM

Subject:- Visit of Mr. Eugene R. Black, President,
International Bank for Reconstruction and
Development.

A copy of the Programme arranged for the visit is
forwarded for information/necessary action.



(A. RASHID IBRAHIM)

Deputy Secretary to Govt. of Pakistan

To

(Distribution on reverse)

P.T.O.

1. Secretary to H.E. the Governor General, Karachi.
2. Military Secretary to H.E. the Governor General, Karachi.
3. P.S. to Hon'ble Prime Minister, Karachi.
4. P.S. to Hon'ble Minister for Finance, Karachi.
5. P.S. to Hon'ble Minister for Industries, Karachi.
6. P.S. to Hon'ble Minister for Economic Affairs, Commerce and Education, Karachi.
7. P.S. to Hon'ble Minister for Communications, Karachi.
8. Secretary to H.E. the Governor, N.W.F.P., Peshawar.
9. A.D.C. to H.E. the Governor, N.W.F.P., Peshawar.
10. Secretary to H.E. the Governor, Punjab, Lahore.
11. Military Secretary to H.E. the Governor, Punjab, Lahore.
12. P.S. to the Hon'ble Chief Minister, N.W.F.P., Peshawar.
13. P.S. to the Hon'ble Chief Minister, Punjab, Lahore.
14. Governor, State Bank of Pakistan, Karachi.
15. Mr. Yaqub Shah, Executive Director, International Bank for Reconstruction and Development.
16. Secretary, Ministry of Finance, Karachi.
17. Secretary, Ministry of Economic Affairs, Karachi.
18. Secretary, Ministry of Industries, Karachi.
19. Secretary, Ministry of Defence, Karachi.
20. Secretary, Ministry of F.A. & C.R., Karachi.
21. Joint Secretary, Ministry of Communications, Karachi.
22. Joint Secretary to the Cabinet, Karachi.
23. Director General Railways, Karachi.
24. Chief of Protocol, Ministry of F.A. & C.R., Karachi.
25. Commander-in-Chief, Air Headquarters, Karachi.
26. Chief Secretary to the Govt. of N.W.F.P., Peshawar.
27. Development Secretary to the Govt. of N.W.F.P., Peshawar.
28. Chief Secretary to the Govt. of Punjab, Lahore.
29. Development Secretary to the Govt. of Punjab, Lahore.
30. Chairman, Thal Development Authority, Lahore.

For visits to N.W.F.P. and Punjab, Mr. A. Rashid Ibrahim, Deputy Secretary, Ministry of Economic Affairs, Government of Pakistan, will join the Party.

(2) Timings, particularly of the items relating to Provinces, are subject to slight variations.

(3) On arrival Mr. and Mrs. Black and Party will be received by the Military Secretary to His Excellency the Governor-General, Chief of Protocol, Ministry of Foreign Affairs and Commonwealth Relations, and representatives of the Ministries of Finance and Economic Affairs.

(4) For all meetings at Karachi, Mr. Black will be accompanied by Mr. M.A. Mirza, Officer on Special Duty, Ministry of Finance.

(5) For the visit to Industrial Trading Estate, Mr. Black will be accompanied by a representative of the Ministry of Industries.

(6) Arrangements for all air journeys will be made by the Ministry of Defence (Air Headquarters).

(7) Detailed arrangements in the Provinces will be made by the Provincial Governments.

Black trip

Programme of
Mr. Eugene R. Black, (1)
President, International Bank for Re-
construction and Development.

3rd to 10th February 1952.

Day and date.	Time (2)	Programme.
<u>K A R A C H I</u>		
Sunday, 3rd.	22.45	(3) Arrival Drigh Road Airport by BOAC, Flight No. 780. Stay at the Governor General's House.
Monday, 4th.	10.30	(4) Meet Hon'ble Mr. Mohamad Ali, Minister for Finance, at his office (Assembly Building).
	12.45	Quiet Lunch.
	15.00	Meet Hon'ble Mr. Fazlur Rahman, Minister for Economic Affairs, Commerce & Education, at Variawa Anchorage, Kutchery Road.
	16.00 (approx.)	Meet Hon'ble Sardar Abdur Rab Nishtar, Minister for Industries, at 1, Reay Road.

17.45 Reception at the Governor General's House

19.45 Quiet Dinner.

Tuesday, 5th.	10.00	Meet Hon'ble Khwaja Nazimuddin, Prime Minister, at his office (Assembly Building).
10.30	11.00	Meet Hon'ble Mr. Sardar Bahadar Khan, Minister for Communications, at his office (Assembly Building).
11.30	11:45	Quiet Lunch.
12:00 Amjad Ali, Judge (oil)	3:00	UK High Commission, Coroner H.C. + Hospital H.C.
	15.30-6:00	Meet Mr. Zahid Husain, Governor of the State Bank, and Bankers, at the Central Directorate of State Bank of Pakistan.
	6:00	H.H. Aga Khan
	19.30	Dinner at the Prime Minister's House.

Wednesday, 6th. 9.00 to (5) Visit Industrial Trading Estate.

7:30 Port, GG House	11.00/10:45	Minister of Finance
	11:50	Minister of Ali
	12.15	Lunch by Hon'ble Mr. Mohamad Ali at Hotel Metropole.
	14.15	(6) Departure for Peshawar by R.P.A.F. Plane from Mauripur Airport.

N.W.F. PROVINCE (7)

	18.45 (approx.)	Arrival Peshawar. Stay at the Government House.
	20.00	Quiet Dinner.

Contd.....

Day and date. Time Programme.

N.W.F. PROVINCE (Contd.)

Thursday, 7th.	8.15	Meet Hon'ble Mr. Abdul Qayyum Khan, Chief Minister, N.W.F.P.
	8.30	Departure by car for Jabban.
	10.30	Arrival Jabban and visit Malakand Power House.
	11.00	Visit Dargai Hydroelectric Project under construction.
	12.00	Lunch at Dargai.
	13.00	Departure by car for Warsak via Charsadda.
	15.30	Visit site of Warsak Multipurpose Project.
	17.00	Arrival back at Peshawar.
	20.00	Dinner by His Excellency the Governor of N.W.F.P.
Friday, 8th.	8.00	Departure by R.P.A.F. Plane for Mianwali

PUNJAB (7)

	10.00 (approx.)	Arrival Mianwali and visit Thal Irrigation and Colonization Project.
	13.00	Lunch at Kalabagh.
	16.00	Departure by R.P.A.F. Plane for Lahore Stay at the Government House.
	19.30	Dinner by His Excellency the Governor, Punjab.
Saturday, 9th.	9.00	Meet Hon'ble Mr. Mumtaz Mohammad Khan Daultana, Chief Minister, Punjab.
	9.30	Visit North-Western Railway Workshops
	12.30	Quiet Lunch.
	15.00	Visit Historical sites.
	19.30	Quiet Dinner.
Sunday, 10th.	10.00	Departure by R.P.A.F. Plane for New Delhi.

NOTES:

- (1) Mr. Black will be accompanied by Mrs. Black. Other members of the party are :-
- i) Dr. Leonard Rist, Director, Economic Department.
 - ii) Mr. Harold N. Graves, Director, Public Relations Department.
 - iii) Mr. Joseph Rucinski, Loan Officer.
 - iv) Miss Marie Linahen, Secretary.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP

Date March 31/52

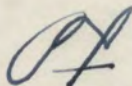
TO-	Name	Room No.
1	Mr. W. A. B. Iliff	1004
2		
3		
4		

FOR-

Action	Initialing
Approval	Preparing Reply
Comment	Previous Papers
Filing	Noting and Returning
Full Report	Recommendation
Information	Signature

REMARKS

Attached is a copy of Mr. Hoar's memorandum report to Mr. Black covering the highlights of operational activities during Mr. Black's absence from Washington.



FROM-

Paul F. Foster, Room 409A

Black Trip

EUROPE

BELGIUM AND BELGIAN CONGO

The loans became effective on January 26. Because of a somewhat slow start, which we expected with a program of the size involved, disbursements have so far reached only \$7.7 million.

DENMARK

During your absence, Iliff raised with Overby the question of the U. S. Government's attitude toward the Danish external debt situation. Overby promised to let us know the Government's view but so far we have heard nothing.

Ahlefeldt has told us that, within the last few days he has heard from Copenhagen that the Danish Government has decided to use \$6 million for amortization payments in 1952 on the same lines as last year.

FINLAND

You will remember that we told the Finns we would be prepared to consider a loan of about \$20 million. Of this amount, \$19 million would be divided equally between electric power production and the woodworking industries, and the remaining \$1 million used for land improvement and the building of forest roads.

The Finnish delegation arrived in Washington on January 27. They asked for the amount of the loan to be raised to include Swiss franc and Swedish kronor purchases as well as \$20 million in dollars. We eventually agreed that \$20 million would be accepted as a limit of borrowing in hard currencies (including Swiss francs) but that, in addition, the Bank would be ready to consider increasing the total by such 18% Swedish kronor as might be released.

We accordingly asked the Swedes for the release of 47.5 million kronor (\$8.9 million), of which \$5.5 million for the woodworking industries and \$3.4 million for electric power projects. The request was repeated in your

name on February 27 and at the same time Marcus Wallenberg was informed of the position. Wallenberg indicated that Sweden would probably grant a release for such equipment as could not be sold for dollars but that a bond issue would be preferred to an 18% release. On March 18 the Staff Loan Committee discussed this proposal and agreed that the Bank should press for an 18% release in preference to a bond issue. On March 21 the Swedes cabled that, subject to being satisfied as to the type of equipment to be purchased, they would consider the release of up to one-fifth of their 18% subscription (an amount of \$3.6 million equivalent) for use by the Finnish woodworking industries. It is to be inferred from this cable that the Swedes are not prepared to grant a release for the electric power projects. Finnish technicians are now providing Stockholm directly with details of the woodworking equipment they require.

In view of the anticipated delay in receiving a final answer from Sweden, the Finns proposed, and we agreed, that negotiations should proceed for a loan of \$20 million, leaving the Swedish kronor portion to be the subject of a supplementary agreement. Negotiations are well advanced for the \$20 million loan, of which about \$15 million would be for purchases in the U.S. and smaller amounts in Canada, Switzerland and Sweden (for the electric power projects). I would expect to be able to take the loan to the Board within the next month.

ICELAND

At the end of January discussions for a loan to cover the European costs of a fertiliser plant in Iceland had reached a stalemate through lack of engineering information requested by the Bank. This information was finally received on March 4. It establishes that the plant will be sound from an engineering point of view and financially profitable. The total cost of the plant (expressed in dollars) is estimated as follows:

Purchases in U.S.	Purchases in Europe	Expenditures in Iceland Kromur	Total
2,828,000	1,195,000	2,648,000	6,671,000

MSA has informed the Bank unofficially that it will cover the whole U.S. procurement and, in addition, European procurement for \$345,000. This would mean that the Bank loan would be for the equivalent of \$850,000, in sterling, to cover the balance of purchases in Europe. MSA counterpart funds will be made available to the extent necessary to meet domestic expenses.

Since the receipt of the additional information, negotiations have been resumed and have now reached an advanced stage. The most difficulty will probably be encountered on term and interest rate. We have offered the Icelanders either: (a) seventeen years, at (as of today) 4-3/4%, or (b) fifteen years at 4-5/8%. The Minister is prepared to accept a seventeen-year total term but wants it at the lower (fifteen-year term) interest rate. If he can be persuaded that the Bank really means to adhere to these alternatives, no real difficulty need be anticipated in concluding negotiations within about four or five weeks.

The amount of the loan would be within the \$2 million limit mentioned in your letter of September 26, 1951. The progress towards economic and financial stabilization in Iceland, referred to in your letter, appears to have been rather less satisfactory than hoped, and some additional information is required for an adequate presentation of the loan. This should not, however, delay negotiations.

Other recent happenings in Iceland are: (a) the loan of November 1, 1951 for Agriculture was declared effective on February 26; (b) the Bank has agreed to share in the expenses of a technician to study the proposed cement plant. It is planned that he arrive in Iceland in May and be accompanied by Spottswood from our engineering staff. The Bank has informed

the Icelanders that, irrespective of the outcome of the technician's investigations, the Bank will not necessarily consider lending for the cement plant.

ITALY

The steps required to make the loan effective have not yet been completed. According to Mr. Aldewereld, the Cassa expects Parliamentary action to be taken in April or May. The pace of investment under the Southern Italian program is slower than we originally expected, and we shall probably have to postpone the closing date of the loan (December 1952) until some time in 1953.

THE NETHERLANDS

The conclusion of the \$7 million loan to KLM was delayed for some weeks because the Netherlands Government was reluctant to guarantee the completion by KLM of the entire \$33.4 million aircraft purchase program. This reluctance stemmed from the existence of a special law which limits Government guarantees of KLM obligations to a total of \$17 million equivalent. A compromise solution was eventually reached under which the Government's undertaking to see that KLM is enabled to complete the whole project (including, if necessary, the provision of funds, both dollars and guilders) is expressed as a direct obligation rather than as a guarantee of performance. This circumvents the limiting legislation. The loan documents were thereupon signed on March 20. They provide for interest at 4-1/8%, final payment on July 1, 1953, and chattel mortgages delivered to the Bank and Chase on six planes valued at \$3.8 million. The Participation Agreement with Chase was signed simultaneously. The first \$3.5 million withdrawn by KLM will be put up by Chase, who will receive 4% notes of KLM evidencing the first five maturities. The loan is expected to become effective within a month.

NETHERLANDS OVERSEAS TERRITORIES

Surinam

The Staff Loan Committee has considered the draft report of the Surinam Mission and a report on the creditworthiness of Surinam prepared by the Economic Department. One of the assumptions in the Mission's report is that Surinam would be able to borrow about \$10 million externally in addition to the amount of contemplated borrowings from Holland. The Staff Loan Committee has agreed that the Bank should stand ready to lend \$10 million, probably in two tranches; providing, of course, that Surinam's development plans prove satisfactory.

TURKEY

1. Proposed Loan for Seyhan Dam: Mr. Emin Yumer, Director General of the Electrical Studies Institute of Turkey, and Mr. Munir Mostar, Deputy Director-General of the Treasury, arrived at the Bank on March 14 to commence discussions of the proposed Bank loan for the construction of a dam on the Seyhan River near Adana. On the basis of technical discussions so far, it appears that \$22-26 million will represent the foreign exchange component of the project, over half of which would be in European currencies. A more exact figure will be determined shortly.

The Bank has been advised that a Cabinet Decree on February 16 has established the framework for the administrative and financial arrangements respecting the project. Under its provisions the Government would as a public service, assume the costs and operating expenses pertaining to flood control; the irrigation services would be administered by the Ministry of Public Works, but their cost would be met by the users of irrigation waters; and the power facilities would be turned over to the semi-private company to be operated on a profit making basis. This Decree and related documents are now being studied.

2. \$9 Million (Industrial Development Bank) Loan of October 19, 1950: The Industrial Development Bank has forwarded for approval applications for three loans totalling \$1,053,022:

- (a) \$353,957 for purchase of machinery and equipment for a cotton spinning and weaving mill in Adana;
- (b) \$345,108 for construction of an electric power transmission line as part of the expansion of a cement plant near Istanbul;
- (c) \$353,957 for purchase of cotton spinning and weaving machinery for a new textile mill in Istanbul.

All three projects are under study by the Bank's staff, and further information is being requested from Turkey regarding the first two.

UNION OF SOUTH AFRICA

Mr. Havenga has asked whether the time is opportune for him to approach the Bank for another loan and, if so, for how much. As an indication of the range of his interest, but apparently without expecting the full amount to be considered for a loan, he has mentioned that the import requirements of ESCOM and the Railways for the balance of 1952, and for 1953 and 1954, will total £25 million and £20 million respectively.

We replied to Mr. Havenga, on March 25, that we would be glad to consider the needs of ESCOM, of the Railways, or of other projects as bases for further lending, and that we would like to send a small mission to South Africa. We suggested that June or July would suit us. At the same time, we warned Mr. Havenga that in general we would not wish to finance in one operation a program's needs for longer than 12 - 18 months. We also asked Mr. Havenga if he had considered financing part of his needs outside the Bank, and we offered to look into this matter for him.

Although we did not say so to Mr. Havenga, one of the main objects of sending a mission would be to investigate at first hand the political situation, which seems to be deteriorating rather badly. The mission would

also look at suitable projects.

FRENCH OVERSEAS TERRITORIES

A report on the creditworthiness of France was completed by the Economic Department last week. I understand that it reaches the conclusion that the Bank should not, for the time being, make any loan for the development of French overseas territories, either in dollars or in any other foreign currency. The report will shortly be submitted to the Staff Loan Committee.

When Mr. Schweitzer approached the Bank early in the year, he was given to understand that the Bank's response might not be entirely favorable.

UNITED KINGDOM OVERSEAS TERRITORIES

Jamaica

On March 2 the Survey Mission, headed by Mr. deWilde, arrived in Jamaica; it is expected to return to Washington about the beginning of May.

Northern Rhodesia

You will remember that we are semi-committed to send a mission to Northern Rhodesia soon. The Staff Loan Committee has considered the timing of such a mission, and postponed making a decision until after the creditworthiness of the sterling area as a whole had been studied. A report on the sterling area's creditworthiness is in preliminary draft.

Southern Rhodesia

The \$28 million loan to Southern Rhodesia was signed up on February 27. It is for 25 years at 4-3/4%. You will remember that the greater part of the equipment to be financed will come from the United Kingdom but that we shall disburse in dollars.

Southern Rhodesia and Portugal have applied to MSA for finance for a proposed railroad from Bulawayo to Lourenco Marques. Since MSA is unlikely to have the funds for this project, they have referred the project to the

Edinbank. The Edinbank have now asked whether the IBRD would carry out a joint operation with them under which they would finance the Portuguese part of the project while we would cover the Southern Rhodesian end. In principle such cooperation between the Bank and the Edinbank seems attractive, and discussions have been started at the working level. So far, neither Southern Rhodesia nor Portugal is aware of this proposal.

YUGOSLAVIA

Existing \$28 Million Loan

There have been a number of operational problems in connection with the existing loan. As reported by Aldewereld, recent increases in equipment prices will mean that not all of the projects can be completed with the proceeds of the loan. We have asked the Yugoslavs to prepare a survey of the present costs of all of the projects, together with their recommendations for the changes to be made to keep disbursements within the \$28 million total, and we have just received this material from them.

In the meantime we have approved partial lists of goods totalling about \$18 million equivalent and have approved minor changes in two of the projects. Disbursements actually made so far total about \$370,000 equivalent and the Bank has guaranteed letters of credit for an additional \$2,300,000 equivalent.

Progress reports on the projects, which had been expected by the end of February, have not yet arrived and we have taken up this matter rather firmly with the Yugoslavs. There is also an indication that some Yugoslav enterprises have undertaken credit obligations without prior consultation with the Bank as is provided in the loan contract, but we are not sure whether these operations in fact occurred prior to, or after, the effective date of the loan. This matter is being investigated.

Other Yugoslav Developments

The tripartite discussions of the U.S., U.K., and France began in the middle of February and are still continuing. The Bank staff has participated in a number of meetings, particularly in the investment and debt committees. The conference has produced a proposal for an aid program for Yugoslavia for next year which has been referred by the three delegations to their governments for approval and is likely to be agreed upon during the first week in April. There is a strong desire by the U.S. and the French delegations to have the Bank participate in the program with a second loan to Yugoslavia. The British delegation appears to be split on the matter of further investment financing, but we are advised that the U.K. position is likely to be the same as the U.S. and the French on this matter.

We have advised the conference that a further loan to Yugoslavia would be contingent upon our being satisfied on the following points:

- (a) Proper progress being made by Yugoslavia towards viability so that a second loan could be considered a reasonable credit-worthiness risk. We would wish to discuss again, at high level in the Yugoslav Government, the basic questions of investment policy and general economic policy, in view of our feeling that the battle between the Velebit group and the Kldric group has not been completely settled.
- (b) Availability of 18% currencies.
- (c) Agreement on key projects and on the adoption of the key economic measures necessary to ensure their completion.
- (d) Agreement by the Yugoslavs to refrain from undertaking non-priority investments.

In the Debt Committee we have said that another condition must be the reaffirmation by the three powers of the agreement last year that arrangements would be made to reduce the existing burden of Yugoslav debt service

to a level which would leave a reasonable margin of creditworthiness still available. Although this matter had been formally agreed last year, the French and U.K. representatives at this committee made various comments which raised doubts in our minds and we are asking for a firm reaffirmation of last year's position.

If all of these matters get settled, there will have to be a mission to Yugoslavia, probably within the next month or two.

RHINE-DANUBE SCHEME

Some fragmentary information on the Rhine-Danube projects has been received from van der Mandele. Of the three projects, the execution of the Basle-Lake of Constance project is blocked for various reasons by the Swiss; the Rhine-Main-Danube project is vast and expensive, and no assistance for it has as yet been requested from the Bank; only the Rhine-Neckar-Danube project is at present being promoted by van der Mandele. The request of the Neckar, A.G., (the German public corporation in charge of the project) is for 40 million marks to finance part of the cost of river canalization works.

This is primarily a German project, designed to make the river Neckar navigable up to Stuttgart, ground which is the most important industrial area in Southwest Germany. The international importance of the Neckar project will arise only at a future date when the construction of the canal between the Neckar and the Danube is completed.

I now propose, subject to the agreement of the Staff Loan Committee, to inform van der Mandele (a) that the Bank could not finance the Neckar project since it is located in a non-member country and is a local currency venture, and (b) that any future consideration of the Rhine-Danube scheme would be predicated on the submission of a valid economic justification for priority treatment from the point of view of European investment needs. I would expect such a reply to dispose of the matter for the present.

WAGONS-LITS

According to the latest information from Walter Hill, the Belgian Minister of Finance has declared himself prepared to entertain the release of 18% currency at a future date when the Belgian financial situation would justify such a step. The French attitude is unknown but would, to a certain extent, depend on the decision of the Belgians.

Meanwhile, the Loan Department has been considering the merits of the Wagons-Lits proposal which, as presently envisaged, calls for:

- (a) a loan in 18% Belgian francs to the S.N.C.I. for Wagons-Lits, Brussels; and
- (b) a loan in 18% French francs and borrowed Swiss francs to the Caisse des Depots, for Wagons-Lits, Paris.

It is thus a predominantly local currency operation which is proposed, and the most likely reason for the Bank being in the picture at all is the prospect for Wagons-Lits of a lower interest rate and a longer maturity. In view of the precarious financial situation of France, it may be inadvisable to ask the French Government to release 18% currency for this operation.

The whole issue calls for an early decision by the Bank on grounds of principle as well as practicability, and a paper is being prepared for the Staff Loan Committee.

LATIN AMERICA

BRAZIL

1. The Brazilian Government has not yet taken action to counteract the effects of the foreign exchange decree issued in January but there are indications that it is giving the matter serious attention. Vargas, in his message to Congress of March 15, developed the theme that Brazil must attract foreign capital but must have some selective process so that investments which contribute to the development of the country's economy are encouraged more than those which merely offer large profits on a small investment. The line taken by him tends to substantiate reports which have appeared in the press to the effect that the Government is considering establishing several classifications of foreign investment, each of which will be assured different types of treatment.

2. As we reported to you by cable, both Knapp and Lafer understand that we will not make any more loans until some effective action has been taken to counteract the effects of the foreign exchange decree. Knapp believes that such action will be taken some time in April.

3. In the meantime, we are studying technical reports prepared by the Joint Commission on the Central and Santos-a-Jundiai railroad projects.

4. With regard to Lafer's tax for raising local currency for the development program, we have learned from Knapp that the language of the relevant legislation is construed by the Brazilians as requiring that a loan must be made by June 30 to finance a project of which the local currency cost would be covered from funds raised by this tax; otherwise the whole arrangement will lapse. The central railroad project is the only one which we have to date that falls into this category. Accordingly we propose to take the Central project first, if and when the Brazilian Government takes action which would make further lending possible.

5. Upon his return to Brazil, Knapp sent a cabled request that we should not advise the Government of Rio Grande do Sul of our unwillingness to accept the Charter adopted by the Legislature for the new State Electricity Commission until we had received a letter which he was writing to us on the subject. Accordingly, in acknowledging the receipt of the Charter, we have merely stated that we are studying it and expect soon to send our comments on its provisions. We have not yet received Knapp's letter but Noe de Freitas has advised us that he has been appointed General Director of the new organization.

6. The engineering firm of Charles T. Maine of Boston has recently completed an engineering study of the project for constructing an alkali plant at Cabo Frio and we expect the Brazilians soon to present it to us with a renewed request that we consider financing the project. Charles T. Maine have sent us, on an informal basis, copies of a report which concludes that the project is technically and commercially sound and could be financed with a loan of \$15 million.

CHILE

Early in March our mission returned from Chile where it examined the technical aspects of the proposed chemical pulp and newsprint project and had technical discussions with Schwager and Lota on the coal projects. Their reactions to the pulp and paper proposal are favorable and their discussions have clarified the basis on which we could obtain liens on the properties of the borrowing companies. We expect soon to present the report of the mission for SIC consideration.

COLOMBIA

1. The Colombian Government expects to get its Planning Office functioning early in April. Hirschmann, whom we recommended as the Economic Adviser to

the Office, is now in Colombia discussing terms, and we have stationed Burland there to act as an "on-the-spot" observer when the Planning Office gets under way.

2. Madigan-Hyland are continuing their studies of Colombian railroads and expect to have their work advanced far enough for us to discuss the Magdalena railroad project, and reorganization of the railroads, with the Colombian Government about the first part of May. Madigan-Hyland are also proceeding with a study of the proposed airport and aviation communications facilities corporation.

3. We have discussed Manero's draft report on developing the capital market. Manero has agreed that, in addition to modifying some of his recommendations he should rewrite the report in a form that could be made available as a public instead of a confidential document.

COSTA RICA

You will recall that late in January we notified the Costa Rican Government of our willingness to proceed with negotiations for a loan of \$3.5 million for a transportation project - the loan to be signed after the settlement of its defaulted debt. After an extended delay (during which reports appeared in the press that the Bank was insisting on terms which were incompatible with Costa Rican sovereignty), the Costa Rican Government informed us that the large budgetary surplus realized during the fiscal year would enable it to finance its program for the time being without external aid. There the matter rests, with nothing happening, so far as we are aware, on the defaulted debt.

DOMINICAN REPUBLIC

The Government of the Dominican Republic has asked for a technical mission to review preliminary plans being made for the development of hydroelectric power. Since this is the Dominican Republic's first approach to

the Bank and no one on the staff level has yet visited that country, we have suggested sending a small mission to make a brief survey of the Government's development plans. The Government has accepted this proposal and plans are being made for a mission consisting of a loan officer, an economist and an engineer to visit the Dominican Republic late in April.

ECUADOR

You will recall that Galo Plaza submitted for our consideration an engineering report on the port of Guayaquil and requested that a Bank mission visit the country to examine the project. While sympathetic with the idea of sending a mission to Ecuador to assist in selecting projects which might be suitable for Bank financing, we felt that it would be inadvisable for a Bank mission to visit Ecuador during the heated campaign now under way in preparation for forthcoming elections on June 7: particularly since Salazar, our former Alternate Executive Director, is one of the leading candidates for the Presidency. Once the elections are over we feel we should send a top-level person to Ecuador for informal discussions, both with Galo Plaza and the President-elect, to find whether there would be sufficient prospects of our developing a constructive relationship to warrant our sending a mission at that time. We have so informed Galo Plaza.

MEXICO

1. Consolo and Rembert were recently in Mexico and discussed the financial position of Mexlight with officials of the Mexican Government. They focussed attention not only on Mexlight's short term cash and earnings position (which will be satisfactorily taken care of by a rate adjustment and additional credit from Financiera) but also on the long-run problem of financing the continuing expansion of Mexlight's generating and distributing capacity. Their discussions brought out the desirability of having a substantial part of this investment financed on an equity basis, and of placing Mexlight in a position

to raise funds on an equity basis in the Mexican market. Nacional Financiera, as an important creditor of Mexlight, was particularly interested in this idea and a number of top officials, apparently for the first time, began to perceive the possible advantages of such an approach. The idea was explored at some length with the Minister of Finance, who stated his intention of discussing the matter with the President of the Republic and suggested that an inter-Ministerial committee be set up immediately to study the entire problem. During his visit to Washington last week, Carrillo Flores indicated that both he and Betata hoped to take some constructive action before the end of this year. Messersmith was quite appreciative of the Bank's efforts and, I believe, has written you to this effect.

2. While Consolo was in Mexico, Carrillo Flores, Gomez and the Chairman of the Consortium (who is President of the Bankers Association) discussed with him the unsatisfactory operation of the Consortium loan. They were very appreciative of the constructive attitude taken by the Bank and its willingness to alter the mechanism in order to make it more effective. But they contended that the ineffectiveness of the operation was due, not so much to the mechanism, as to the fact that Mexican commercial banks, perhaps with the exception of the Banco Nacional de Mexico, were poorly equipped to finance industrial development. They furthermore stressed that Mexican banking law was rigid and unduly restrictive for this kind of financing. The opinion was expressed that the investment organizations known as "financieras" would have been more suitable instruments for handling the operation and Consolo was asked to sound out the Management of the Bank on its willingness, when the Consortium loan expires (June 30, 1952), to set up a new operation based on financieras instead of commercial banks. We expect soon to receive from Mexico some information they are preparing on the organization and operations of financieras. Carrillo Flores has indicated that if some such solution is

not adopted, he may suggest that the unexpended balance of the Consortium loan (over \$9 million) be used to finance several important private development projects in which Nacional Financiera is interested.

PERU

1. The Peruvian Congress still has not enacted legislation approving the debt settlement recently negotiated with the American Bondholders Council but we understand that it has been passed by the Chamber of Deputies. The Ambassador expects it to be approved by the Senate soon. In the meantime he has informed the British Bondholders Council that Peru cannot agree to service the sterling debt at the dollar rates stipulated in the contract (\$4.80 to the £) and has renewed the offer to pay in dollars at \$4.03 to the £ up to the date of the recent sterling devaluation and \$2.80 thereafter. The British have again rejected the proposal.
2. As you know, the British some time ago indicated to us that until they have concluded their negotiations on the German and Japanese debt they could not settle for anything less than full compliance with the multiple currency provision in the contract.
3. We have recently received a request for a loan of about \$4 million to finance a new cement plant in Peru, and the Government has indicated its willingness to guarantee such a loan. We have just received technical information on this project which is being studied by our engineers.

ASIA AND AFRICA

CEYLON

The General Survey Mission will shortly complete its report. Unless you have brought back information to change our views, we shall not expect any lending operations in Ceylon for the next twelve months at least.

ETHIOPIA

1. Telecommunications Project

Early in March, it became clear that Mskonnen Desta, the Minister of P. T. & T., was still deliberately obstructing the establishment of the new telecommunication agency and trying to circumvent the agreement regarding Moran's managerial powers which had been reached in January. When we heard that Desta had negotiated with Reynolds, a Mackay Company engineer, to engage him as an inspector-general and rule-maker over Moran's head, Garner sent a cable to the Ministry of Financing stating:

- (a) that the proposal reportedly made to Reynolds, added to Desta's refusal of funds to Moran in January and the correspondence with supply companies emanating from the Ministry of P. T. & T. during the charter negotiations in December, was inexplicable to us in view of the expressed intention of the Government to consummate the project and assure its effective operation on agreed lines;
- (b) that, in view of the gravity of the situation and of the delay in completing steps which were required by June 1 last year, we required the Government's comment, including an estimate of the time necessary to complete the steps necessary to make the loan effective.

Ethiopia (cont'd)

No reply to this message has yet been received. On March 21 Garner sent a further message to the Ministry of Finance stating that, in view of further disturbing reports concerning the project, the Bank felt it advisable to review the entire situation with the Ethiopian Government and was therefore planning to send a representative to Ethiopia within a few weeks.

2. Development Bank

We are disturbed at reports which indicate that the Development Bank is not living up to our hopes. We are therefore glad that Baranski is expected at the Bank for a ten-day visit beginning April 18. We shall prepare for full discussions at that time.

A project for improving seed-oil production in the United Oil Mills of Addis Ababa, requiring £ 30,000 in foreign exchange, has been submitted by the Development Bank and approved by us informally, pending a formal application from Baranski after the relative agreement has been signed in Addis Ababa. Baranski has also requested our approval, also subject to a later receipt of a formal application, of two revised cotton mill loan agreements, one for the equivalent of US \$ 200,000 (a seven year loan for textile mill equipment) and one for the equivalent of US \$ 400,000 (for purchase of raw cotton and spare parts). These cotton projects are being reviewed.

INDIA

1. We learned from a letter sent by Rucinski to Iliff of your wish that nothing should be done by the Bank as regards the pig iron and steel project until your return, and that an appropriate candidate to examine the steel problem should be considered. We have in fact taken no action on any of the mission's recommendations pending your return.

2. A draft Loan Administration Report, dealing with first three loans to India, has been prepared and will shortly be submitted to S.L.C.

India (cont'd)

3. Agricultural Machinery Loan

Connors left Washington on March 19 and has meanwhile arrived in Delhi after his stop-over in Karachi (see Pakistan). In India, he will inspect the progress of the kans grass project and check on the implementation of his previous recommendations.

4. Bokaro-Konar Loan

Tentative arrangements have been made for Gray Marshall to go to India in May to inspect the progress of the Bokaro-Konar project and of other parts of the scheme for the development of the Damodar Valley. His visit will assist our consideration of possible further Bank lending for the implementation of this scheme as recommended by the mission. While in India, he will report on the Koina project and Kakrapara project in Bombay State with a view to assessing the suitability of one or the other for Bank financing.

IRAQ

The Bank has assisted the Wadi Tharthar contractors to obtain U. S. equipment in short supply. Practically all the equipment required at this time is now assured. This was no mean feat and the contractors are duly grateful.

JAPAN

The Fund's Committee on Membership has suggested a Japanese quota of \$250 million and a gold payment of 25% of the quota (\$62.5 million). The Japanese Government has argued for a higher quota and a lower gold payment but it is thought that it will accept the Committee's suggestions. Japan's present hesitation is attributed to rumors that Germany may obtain a higher quota with a lower proportion of gold payments (the last discussed quota figure for Germany was \$330 million). Japan is preparing for preliminary discussions for the settlement of its pre-war external bonds.

JORDAN

The Executive Directors recommended to the Governors on March 20 that Jordan's application for membership be accepted. Jordan's subscription would amount to \$3 million.

PAKISTAN

1. Railway Loan

The proposed loan for the rehabilitation, improvement and modernization of the railway systems of Pakistan was approved by the Board on March 27, and signed the same day. Amount \$27.2 million (including the equivalent of \$12 million in French francs) at 4-5/8%, 15 years. At the Board meeting, Shah objected that the rate of interest was too high. He seemed not to have been informed by his government of your discussion of the rate with the Pakistan Cabinet!

Ripman is scheduled to leave for Karachi about April 5 to arrange end-use and disbursement procedures in connection with this loan.

Mr. Folk is still in Karachi, but has been told to return to the Bank by mid-April. In the meantime, he is carrying on further discussions with the Pakistan Government in regard to the following projects:

2. Agricultural Machinery Project

Following Kruger's visit to examine this Project, Connors, the Bank's agricultural machinery consultant, stopped in Karachi (on his way to India) to review it with Folk. A revised list of equipment was received on March 27 and has been approved by the Working Party. The amount is now \$3.25 million, all in dollars. It is expected that the loan would be made to the Central Government but that the agricultural machinery organization would be set up as an independent agency of the Thal Development Authority under the West Punjab Province. Barring accidents, the negotiations could be completed and a loan signed within a month.

Pakistan (cont'd)

3. Paper Mill Project

A list of equipment for the paper mill project was also received in the Bank on March 27, and is being examined by the staff. The amount in question is now \$2.75 million, of which \$1.5 million in dollars and \$1.25 million in Swiss francs. While the loan would be made to the Government, the Government has agreed to the Bank's view that a paper mill company should be set up before a Loan Agreement is signed. Although initially the Government would own all the shares in this company, arrangements would be made for the sale of its shares to private interests at the earliest opportunity. Statutes for this company are being drawn up in Pakistan and a copy is expected to arrive at the Bank soon. We have just heard that the Pakistan Government has fired the British contractors in charge of the construction of the mill. We are trying to find out why.

4. Telecommunications Project

The Pakistan Government has once more revised this Project. It is no longer merely a stopgap program; and no longer provides for a cohesive development group for long-term planning. Instead, the Government intends to staff with UNTAA experts (five of whom are already recruited) a Development Branch which would be integrated directly into the Directorate of Posts and Telegraphs. Although we do not think it would be appropriate to participate in financing the development group in these circumstances, we have said we would still be willing to consider financing a stop-gap program, and have suggested a list of equipment suitable for the present stage of communications development in Pakistan. This equipment would require the equivalent of about \$3.5 million in foreign exchange, but dollar requirements would probably be only about \$1 or \$1.5 million. No indication has yet been received as to whether or not the Pakistan Government would be willing to proceed on that basis.

Pakistan (cont'd)

5. Grain Storage, Thermal Power and Hydroelectric Projects

The Government has informally told Folk that it will probably not request Bank financing for the Grain Storage Project and the Thermal Power Project, in order to conserve its credit with the Bank for the financing of one or more of the hydroelectric projects at Warsak, Mianwali and Karnafuli. Since your visit to Pakistan, UNTAA has sent a hydroelectric engineer, Karpov, to Pakistan. Some difficulties have been experienced in agreeing on the division of responsibilities between a possible Bank engineer and the UNTAA engineer. At present the Government intends that Karpov should study Karnafuli in East Pakistan and Mianwali and other hydro projects in West Pakistan. No review would be made of Warsak, as a study appears to have been completed by Marx, Rendel & Vatten. The Bank has informed the Government through Folk that in these changed circumstances the Bank would not send an engineer, but would be ready to study the MRV and Karpov reports as soon as they are available.

SYRIA

On March 20 the Bank received a cable from Mr. Sawwaf (Syrian Under-Secretary of National Economy and IBRD Governor) expressing the hope that the Bank would send a representative to Damascus shortly as there was a good possibility for resuming loan discussions. This request is under consideration. You will recall that we have already expressed our willingness to discuss loans for three projects - (i) Latakia Port, (ii) Roudj drainage and irrigation, and (iii) road construction. Total foreign exchange involved is approximately \$7 million.

THAILAND

1. General

The general situation in connection with the three Bank loans to Thailand was unsatisfactory at the time you left Washington. No word had been received on the Makassan Workshops, several new escalation problems in the port project had arisen, and no news of the arrival of the dredger "Lake Fithian" had been received.

Rucinski's telegrams of March 11 clarified the situation on all three loans considerably.

2. Irrigation Loan

This project seems to be progressing smoothly.

3. Port Loan

(a) Dredging. The "Lake Fithian" arrived in Bangkok in the middle of February and was due to start operation on the sandbar on March 15. In the meantime, the performance of the other dredger "Charles" was improving.

(b) Port Equipment. New bids are to be called for the port cranes.

4. Railways Loan

Arrangements are being made to send a Bank consultant to Bangkok to approve the layout of the Makassan Workshops and to review bids for the workshop equipment. The Bank has also recommended to the Thai Government the names of two candidates for the post of Railway Advisor.

Black trip

CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: March 22, 1952

TO: Messrs. Cope and Kamarck

FROM: Leonard Rist

SUMMARY: Describing Black trip in New Zealand and listing "useful contacts" there.

FILED UNDER: New Zealand Negotiations

CROSS REFERENCE: Black trip

Mr. Black's War
1952

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

Huka Lodge
Rotorua, New Zealand
March 22, 1952

Dear Raymond:
Dear Andy:

As indicated in Mr. Black's cable of today, he told Mr. Holland that you would both stop over in Wellington on your way back to the States. When your plans are fixed you should therefore inform Mr. Holland, the Prime Minister, of the date of your arrival and confirm same to Mr. Fussell, Governor of the Reserve Bank.

Most of our time here was spent telling New Zealand about the Bank. Mr. Black addressed (1) a group of officials and business people, (2) the members of the Cabinet, and (3) the Board of Directors and principal staff members of the Reserve Bank. The renewed interest in Bretton Woods seems to stem from various sources: a desire to be in the same international organizations as the other free nations, a desire to have some access to new dollar resources, and the primary importance which the Murupara pulp and paper project has assumed in the public eye. In any case Mr. Black's visit acted as a vigorous stimulant and Mr. Holland, formerly an opponent of Bretton Woods is now launching a campaign to prepare an application for membership. The matter is coming very quickly to a head. The Government has asked Mr. Rooth to send someone urgently to Wellington and accordingly Alan G. B. Fisher should be there on Wednesday next.

From our very superficial impressions, it would seem that the main problems are the following:

1. Balance of payments: To a lesser degree than Australia, New Zealand has an import boom and £ balances are declining rapidly. No thought of import restrictions though. Defence and welfare keep public expenditures up and credit restrictions do not seem to be very strict. Export and production prices are kept down by bulk purchase agreements with United Kingdom. Dollar credit worthiness is most doubtful, on bilateral basis. Everybody repeated over and over again that the country did not want to undertake commitments which could not be fulfilled and that they were hesitant to contract in dollars. This was both a suggestion that we should tell them how much they can safely borrow and an echo of the everlasting illusion of the £ area members that they can somehow borrow dollars and repay in pounds.

2. Development: This country is almost fully developed and there does not seem to be any attempt to coordinate investment activities. At first sight untapped resources include only tourism and forests. Some prodding brings forth remarks about some minerals such as limestone (in the form of marble) and perhaps some bauxite. But on the whole the

Copy in N.Z. Gen. Rep.

March 22, 1952

Country has simply a mature agricultural economy similar to Denmark or Finland, and like them wants more power and housing and is developing both. However, New Zealand

- (a) can absorb immigrants,
- (b) cannot hope to cater for industrial exports because of its location.

This explains, in part at least, why paper and pulp is the only project which has been officially mentioned to us. (See attached note.) For your information, however, we had some hints that an industrial finance corporation might be considered. The liberal group now in power would apparently like an institution which would provide medium-term credit and would be under private management. Banks seem to be out of question as shareholders but other private sources of capital might be found. Mr. Black, in his last talk (at the Reserve Bank), discreetly encouraged them in this direction but there was no response.

The purpose of your visit would therefore be the following:

- look into the overall situation of New Zealand, mainly from the point of view of creditworthiness.
- look into the Murupara project as carefully as you can short of engineering (Cope's Finnish experience should come in handy here).
- find out whether there are no alternative projects: power, industrial finance corporation, etc., and look into those too.

Among the most useful contacts are:

Mr. Fussell	Governor of the Reserve Bank
Mr. A. Ross	Deputy Governor
Mr. Ashwin	Secretary to the Treasury
Mr. Low	Director of Research, Reserve Bank (a little academic)
Mr. Stace	Low's Deputy - Less well trained as an economist but a practical mind (and a free speaker). I would like Andy to look him over carefully as a possible member of our staff.
Mr. Entrican	Director of Forestry.

Good luck to you both.

Sincerely,

Low

P.S. Wear warm clothes here. It is colder than Maine, and there are more draughts than in a London boarding house.

Black trip

Air Mail

Wellington, N. Z.
March 19, 1952

His Excellency
B. P. Boribhand Yuddhakij
Minister of Finance
Bangkok, Thailand

Dear Mr. Minister:

I have the pleasure to send you herewith a memorandum outlining the points which I raised with you during our conference in Bangkok on March 7.

I take this opportunity to thank you again for the hospitality which you so generously extended to Mrs. Black, myself and the members of my staff during our stay in Thailand.

Sincerely yours,

Enc.

Eugene R. Black, President

J. Rucinski:mel

✓
X Thai Regs

Memorandum

The following points were raised by Mr. E. R. Black, President of the International Bank for Reconstruction and Development in his conversation with H. E. the Minister of Finance of the Kingdom of Thailand on March 7, 1952.

With regard to projects financed by the Bank

1. The Bank has no comments to make, at this time, on the irrigation project which has been well handled.
2. In order to facilitate the task of the director of dredging, retained by the Government of Thailand, the Bank considers that the Port Authority should inform all persons concerned that the director is responsible for the coordination of the entire dredging operation at the sand bar near Bangkok.
3. (a) The Bank views with serious concern the delays in the execution of the Railways project. In particular, it considers that the drawing of the final plans for the reconstruction of the Makkasan workshops has been unduly long. It also cannot consider as satisfactory the procedure adopted for the awarding of contracts for the Railway signalling equipment. (This latter point was already brought to the attention of the Government by the Bank's letter of February 20, 1952.);

(b) In order to expedite the decision on all pending matters related to the Railway project loan the Bank will be glad to send one of its engineers to Bangkok immediately, the exact time of his visit to be agreed between the Government and the Bank;

(c) The Bank reiterates its views expressed during the loan negotiations in the autumn of 1950, namely, that the newly established Thai Railway Authority should engage the services of a qualified advisor, for a period of two or three years, to advise it on administrative, financial and technical problems and thus to speed up the introduction of effective operational methods on the Railways. The Bank will be glad to look for additional candidates for this post and will submit their names and qualifications to the Government as soon as practicable.

With regard to the economic situation in Thailand

4. (a) Thailand's present balance of payments situation is very strong and is likely to remain so for a period of time. Due to a number of favorable factors the national income of the country is increasing and the standards of living of its population are rising. In the opinion of the Bank, Thailand should profit from this situation, and lay solid foundations for further development of her resources. This would involve, in the first place, the preparation of a well integrated investment program. The execution of this program would entail the establishment of a capital market and the strengthening of public finance;

4. (b) The Bank considers that, to implement the above recommendation, the Government would be well advised to retain the services of an outstanding economist whose task would be to help the Government in the drawing of a long-range overall development program, and advise it on the recruitment of specialized experts, such as experts on taxation, on capital market, etc. The Bank will be glad to assist the Government in the selection of an economic advisor of high standing.

With regard to future financing of development projects

5. (a) In the present situation Thailand does not need to call on external financial assistance for the financing of projects now underway. However, in order to help Thailand to conserve her foreign exchange resources and at the same time to enable her to proceed with further development, the Bank would consider additional loans for soundly conceived projects of high priority;
 - (b) The Bank has been informally approached by the Thai officials with regard to two projects: power development and the establishment of an industrial development bank;
 - (c) As regards power development, the Bank is in full agreement with the Government that the power problem should be given first priority. As far as the development of industries is concerned, the Bank draws the attention of the Government to the fact that, in addition to the need for technical experts, a sound industrial development is largely contingent upon the availability of cheap and abundant power. Therefore, in the Bank's opinion the present power shortage should be dealt with first;
 - (d) In the Bank's opinion the task of the power development should be entrusted to one single body. The Bank suggests that the Government set up an electric power Board and delegate to it executive powers in such matters as: the selection of projects, the establishment of priorities and the execution of projects. If the Government established such a Board the Bank would be glad to send a power engineer to examine the present situation and prepare recommendations for the Board;
 - (e) An industrial development bank should, in the Bank's opinion be owned and operated by private capital. Since, so far as the Bank could ascertain, such capital is not at present available in Thailand, the Bank might consider extending its assistance to the Government, including financial assistance, in the establishment of an industrial credit institution if the Government agreed that the management of such institution would be selected with the full concurrence of the Bank.

March 19, 1952.

FROM - 1. Office of the President

2. Office of the Vice President ✓

FORM No. 89
(7-50)Date 3-17-52

T0-	Name	Room No.
1	<i>Slip</i>	
2	<i>Mr. Koster</i>	
3	<i>Rosen</i>	
4	<i>Golwants</i>	

FOR-

Central Files

Action	Initialing
Approval	Preparing Reply
Comment	Previous Papers
Filing	Noting and Returning
Full Report	Recommendation
Information	Signature

REMARKS

Jib Black trip

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INCOMING WIRE

DATE OF WIRE: MARCH 16, 1952 1234

TO: MR. GARNER
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FROM: SYDNEY

ROUTING
ACTION COPY TO MR. GARNER
INFORMATION COPY TO
Decoded By

TEXT:

REURTEL 29 HEAD M.S.A. MISSION BANGKOK INFORMED US ON LAST DAY OUR STAY THERE THAT HE THOUGHT EQUIPMENT IMPORTS FOR ROAD CONSTRUCTION PROGRAM SHOULD BE FINANCED BY MEDIUM TERM LOANS FROM US. GOVERNMENT . I TOLD HIM SUCH IMPORTS SHOULD BE PAID FOR OUT OF GRANT MONEY AND LOCAL EXPENDITURES OUT OF COUNTERPART FUNDS . ALSO TOLD HIM THAT IN OUR OPINION HIGHEST PRIORITY IS HYDRO POWER AND THAT I INFORMED GOVERNMENT BANK WOULD SEND POWER EXPERT TO EXAMINE VARIOUS PROJECTS AND DETERMINE PRIORITIES IF GOVERNMENT SET UP ELECTRICITY AUTHORITY AND DELEGATED TO IT NECESSARY POWERS TO END PRESENT INTER DEPARTMENTAL CONFUSION. M.S.A. HEAD AGREED POWER IS FIRST ROADS N NEXT PRIORITY . DO NOT KNOW ORIGIN STATEMENT ATTRIBUTED TO US AND QUOTED YOUR CABLE. INCONSIDER EXIMBANK SHOULD NOT BE DRAWN INTO ROADS OR ANY OTHER FINANCING IN THAILAND . THAILAND FINANCIAL POSITION AND PROSPECTS UNUSUALLY STRONG AND THOUGH SHE DOES NOT NEED FOREIGN EXCHANGE FOR DEVELOPMENT FINANCING BELIEVE BANK SHOULD CONSIDER FURTHER LOANS WITHIN CREDITWORTHINESS FOR SOUND PROJECTS SO AS TO ENSURE EFFECTIVE EXECUTION THROUGH TECHNICAL ADVICE AND SUPERVISION. I ALSO

ORIGINAL

copy to Thai Regs

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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ACTION COPY TO MR. GARNER
INFORMATION COPY TO
Decoded By

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 EXECUTION THROUGH TECHNICAL ADVICE AND SUPERVISION. I ALSO

MAR 17 10 56 AM 1952

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

ORIGINAL

Copy for the Dept.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INCOMING WIRE

DATE OF WIRE:

TO:

FROM:

p.2

TEXT:

ROUTING
ACTION COPY TO
INFORMATION COPY TO
Decoded By

BELIEVE IT IMPORTANT FOR BANK TO BE CONTINUOUSLY IN THAILAND
PICTURE AND MAINTAIN OUR INFLUENCE THERE WHICH IS VITALLY
NEEDED.

BLACK

1953 11 10 11 42 1335

RECEIVED 1953 11 10 11 42 1335

ORIGINAL

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INCOMING WIRE

ROUTING
ACTION COPY TO
INFORMATION COPY TO
Decoded By

[Handwritten scribbles]

[Handwritten scribbles]

[Handwritten scribbles]

DATE OF WIRE:

TO:

FROM:

TEXT:

BELIEVE IT IMPORTANT FOR BANK TO BE CONTINUOUSLY IN THAILAND
 PICTURE AND MAINTAIN OUR INFLUENCE THERE WHICH IS VITALLY
 NEEDED.

BLACK

MAR 17 10 36 AM 1952

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

ORIGINAL

Black trip

March 16, 1952

Dear Mr. Prime Minister:

My attention has been drawn to a report published in the Sydney Morning Herald of March 14, 1952, stating that "Mr. Black did not deny a report that he and his officials had expressed some disappointment at the lack of a long range programme for developing Australia's resources."

I would like you to know that there was no authority whatever for the statements attributed to me and members of the Bank mission and that I told the press so.

I should like to take this opportunity of saying how greatly I appreciate the great assistance and generous hospitality extended to me and to my party during our stay in Australia and I shall always have the happiest memories of my visit.

Sincerely,

Eugene R. Black

The Right Hon.
Robert Gordon Menzies, C.H., Q.C., LL.M.
Prime Minister of Australia
Canberra, Australia

R.Cope:mel

Mr. Black's radio broadcast on Sunday March 16 1952.

I'm glad to have this chance to talk to Australian radio listeners. You can take these few remarks of mine as the kind of report a president makes to the stockholders of his company. In this case, the "company" is the world's ^{largest} ~~biggest~~ bank. And -- it may surprise some of you to know -- you are the stockholders.

The World Bank is owned by its 51 member countries. As one of these countries, Australia holds about 90 million pounds worth of our stock, and is represented on our Board of Directors, which makes all the major decisions of the Bank.

The chief business of the World Bank is to make loans for undertakings which will raise production and living standards in its member nations. So far, we have made nearly 60 loans, in 25 countries. Our lending up to now amounts to some 575 million pounds. Most of this ^{money} has actually been lent in American dollars, but we have also lent Canadian dollars, English pounds and many continental European currencies.

It is important for you to know, I think, that the Bank provides only part of the money for the things it helps to finance. It lends outside currencies -- not the borrower's own currency. Borrowers, or other investors besides the Bank, must put up the money to pay purely local costs, while the Bank provides the funds to import equipment and materials from outside. So, while we have lent 575 million pounds, the investment in productive projects we have helped make possible actually comes to more than fifteen hundred million pounds.

The charter of our Bank, or Articles of Agreement, was written back in 1944, while the second world war was still in progress. At that time,

representatives from more than

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP

Date 4/2/52

T0-	Name	Room No.
1	Miss. Diamond	
2	Dr. ...	
3	Files	
4		

FOR-

Action	Initialing
Approval	Preparing Reply
Comment	Previous Papers
Filing	Noting and Returning
Full Report	Recommendation
Information	Signature

REMARKS

FROM-

A. Kuruski

SYDNEY, MARCH 16, 1952

Black trip

GARNER
INTBAFRAD
WASHINGTON

LT REURTEL 29 HEAD MSA MISSION BANGKOK INFORMED US ON LAST DAY
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CONTINUOUSLY IN THAILAND PICTURE AND MAINTAIN OUR INFLUENCE
THERE WHICH IS VITALLY NEEDED

BLACK

*Diamond
Fraser
Files*

29 - Ex Im Bank advises heavy pressure from MSA mission Bangkok for loans to Thailand particularly five mil for road project. argument said that IBRD quote all loaned up on Thailand unquote.

Was this matter raised with you by U.S. officials or Thai authorities during your visit?

Ex Im prefers we continue handle Thailand subject willingness agree to consider sound project.
Garner

CONVERSATION BETWEEN THE HONORABLE MR. FAZLUR RAHMAN,
MINISTER OF ECONOMIC AFFAIRS, COMMERCE AND EDUCATION
AND MR. EUGENE R. BLACK
FEBRUARY 4, 1952.

The Minister indicated that he was somewhat concerned by certain problems regarding the exchange of information between Pakistan, the Bank and countries contributing grants under the Colombo Plan. While he realized the importance of an overall approach whenever foreign financing was involved, he was anxious to avoid that discussions on Pakistani investment projects should take place between a lending agency and a donor country without the knowledge of Pakistan. Mr. Black answered that it was only fair that

- (i) When a donor country consults the Bank the Pakistan Government should be fully informed of the questions raised and of the Bank's viewpoint on them, so that on their side the Pakistan Government could express their own views.
- (ii) That the Pakistan Government should keep the Bank currently informed of the progress of their discussions with donor countries so that the Bank may have full knowledge of the projects Pakistan may hope to see financed by grants.

Only such a triangular relationship would allow the Bank to play its role as banker of Pakistan, while leaving full freedom of decision to the three parties concerned.

CONVERSATION BETWEEN THE HONORABLE MR. FAZLUR RAHMAN,
MINISTER OF ECONOMIC AFFAIRS, COMMERCE AND EDUCATION
AND MR. EUGENE R. BLACK
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Letter from Mr. Rist to Mr. Iliff,
dated Government House, Peshawar

Black trip
H
-

February 7, 1952

We are proceeding according to schedule - i.e. at a rather quick pace. So much so that I found it almost impossible to keep notes. I assume Jeff will be writing on the loan problems anything that Folk may not have fully commented on. I just want to tell you about a few points with which I was directly associated.

RETURN TO
GENERAL FILES
AND
CORRESPONDENCE

Went to
D. Economy

1. Basch's trip. The Minister of Economy asked for Basch. He wanted him to stay for a long time to consult on the development program. Finally we agreed on three months immediately after the Colombo Plan Conference i.e. from the end of March on. The purpose of his visit is to "lay the groundwork for a thorough appraisal of Pakistan's development program as it stands now from the point of view of targets, field of investments and priorities among them, resources available and methods of financing." I warned that three months was not enough for one man to do such a thorough investigation and it was decided to leave it to Basch "to determine more precisely with the Ministry of Economic Affairs how much of this work could be completed in this period."

These terms were agreed to by me and Said Hasan and have been published by the Pakistan Government in the press almost verbatim.

Will you kindly advise Basch accordingly.

Went to
D. Economy

2. Electrical Engineering expert. The Minister also expressed the wish to secure the services of a hydroelectric engineer who would assist his Ministry in assessing priorities among various hydro projects now under consideration and examine the technical merits of each of them. He added that the U.N. were ready to provide one without cost to Pakistan. Mr. Black said he would be pleased to appoint (or send) at the Bank's expense an engineer who would perform the same duties and would submit his report both to Pakistan and to the Bank since some IBRD financing may be involved. The three projects mentioned in this connection were Warsak which we saw today and seems fairly near full preparation, Mianwali which we shall see tomorrow, and Karnafuli in East Pakistan. You should therefore think of someone (in the Bank or outside but very good) who could be sent soon. (the Pakistanis said "immediately" but did not insist.)

Last minute: Please arrange to send one as soon as possible, contacting Minister of Economic Affairs (Rahman) when you have found a man.

3. Economic adviser. It seems that the various Ministers have not yet discussed the exact functions of this person. Finance and Economic Affairs will have to thrash the details out. Furthermore, it would be impossible for a third party to determine exactly what the job should be without getting mixed up in internal affairs. Finally, the Pakistani do not seem to realize the quality of men like Melville or Caine (the two names we mentioned to them) and it would be vain to discuss for the

Copy in Pas. T.A.

future incumbent his salary, status, etc. and in particular his relationship to the other experts who roam around. As a result Mr. Black is calling Melville on the phone to ask him to come down to Karachi personally and thrash it all out himself. We gave him a big build up which he deserves, but seeing him will be still a better stimulant.

4. Channel of communication. Mr. Black, for various reasons, suggested to the Governor General that the normal channel of communication (and negotiation) with the Government should be the Minister of Finance, Governor of IBRD. We shall have an answer on this very shortly, I hope favorable.

5. Exchange of information with "donor" countries. Quite a to do. Mr. Black suggested that we tell the Pakistanis what questions we are asked by say Canada and what our answer is (we were ready to say prior to giving the answer to the Canadians) so that Pakistan may express their point of view. On the other hand, Pakistan to keep us informed of what they intend to ask or are asking from the donor. Mohammad Ali agrees. Fazlur Rhaman agrees with the proviso that we have no right to give a direct answer to the donor --- Pakistan only will talk to them. Result: no paper exchanged on this and we stay where we were. We do as we please.

However, the question may come up at the Colombo Plan Conference and Basch should be briefed on this. Herewith for your and his guidance copy of what our position is. Naturally if the question is not raised at the Conference better let sleeping dogs lie.

Trip pleasant and intensely interesting.

Yours ever,

(s) Leonard

P.S. The story about the financial adviser which Shah had brought up is that Mohammad Ali would like to organize a Research division in his department to assemble tax and monetary and budgetary and debt statistics and report and analyze them and give economic advice on incidence of taxation etc. A good economist with public finance training - something like Adler (but don't take him away). No hurry, not even a "request". But if we have a name in sight let Mr. Ali know.

Have a few more P.S.

Central Bank Governor Zahid Hussein asked us to suggest a good general adviser for himself. Mr. Black suggested Baranski, who of course would be ideal but would likely leave a hole in Addis. Since then I told Mr. Black that either Baranyai (No. 1) or Kararz (No. 2) could well do the job beautifully. Please think of it. ✓

Other advisers are coming from all corners of the world. Austin Robinson comes end of February for a month to help the Ministry of Economic Affairs reorganize their economic research branch which will be the staff under the Economic adviser (in the Economic Affairs view). A. Robinson had told me in London that he was going but could not accept a long term assignment. Colin Clark will be coming in October for 3 months to help same establish national income computation.

Good night for good this time.

Leonard

M. Hoar
Black Typ

Leonard B. RIST

April 9, 1952

NOTES

On a Trip to the Far-East, Australia & New Zealand

It is not my purpose, in reviewing my recent trip to the Far East to give definite judgments or any kind of figures. I shall confine myself to personal impressions which do not necessarily represent the views of the Bank. Our itinerary included Pakistan, India, Ceylon, Thailand, Australia and New Zealand with a two-day stopover in Singapore.

We did not go to Indochina or Burma, therefore I shall refrain from making comments with respect to them, although it might be worthwhile to mention that the general feeling in the Far East seemed to be that neither a great deterioration nor a great improvement could be expected in the near future in either of these two regions. It is generally realized that a deterioration, especially in Indochina, might have serious repercussions far beyond her frontiers.

In our discussions with leading politicians, officials and business people we were given considerable insight into some political problems affecting this part of the world as well as two major economic ones: the sterling area problem and the drive for development. Before discussing these subjects, it would be wise to warn against the particular danger of generalizing about the Far East in terms of "areas" encompassing several nations. It cannot be stressed too strongly that one country is different from another and that to group them into an "area" such as Southeast Asia is to create false equations. Areas exist only in a geographic or strategic and military sense. Each country has its own tradition, religion and ambitions, or its own particular blend of them, and it would be an error to deal with them as a block simply because they are neighbors on the map.

The only feature common to all the countries visited is the fact that all of them (except Thailand) were members of the Commonwealth and of the sterling area. Beyond that it can be said that they have problems in common, but not necessarily common problems. Perhaps the three most persistent of the economic problems are population, food and development.

Population: Australia and New Zealand wish to expand their population by white immigration. Thailand, and to a degree Ceylon, witness with little apprehension their present rise in population because they have large exports and land available - at a cost. India and Pakistan are obsessed by their birth rate and the limits on cultivable lands in their territories.

Food: The surplus and the deficit area are both desirous of increasing their food supplies, but the pressure is much greater on the deficit countries. Pakistan and Australia could and will produce more wheat but as long as they do not, India has to buy dollar wheat. Rice production is on the increase in Thailand and new lands are being irrigated for this purpose. Even when this happens and even if Burma and Indochina again become exporters of rice as in the past, India will not be spared the effort necessary to increase her own supplies by improved methods, fertilizers, or land reforms. Meanwhile her dependence, as well as that of Ceylon and Malaya, on Thailand allow the latter to drive some hard bargains.

Development: All the countries visited have resources which could be more intensively exploited, in addition to their agriculture. All of them need more power and communications, although the emphasis on industry varies from country to country. The resources immediately available are everywhere insufficient to allow for investment at the rate desired in each country but the implications differ widely from one to the other. For instance, even without foreign assistance Australia would save and develop quicker than India. After all the national income per head is about ten times as great in Australia as in India.

But any extensive analysis of these economic problems must be considered first of all against the background of the current political situation.

I. - Political Aspects:

Politically, two points stand out: the danger of Soviet infiltration and the attachment to the British

Commonwealth to which all countries visited belong, except for Thailand. It is hardly an exaggeration to say that all these countries, including Thailand, are so deeply aware of the Soviet menace that their own disputes, however bitter, are progressively being perhaps not diminished but certainly overshadowed by it.

A. - Soviet Threat:

Pakistan is anxious to see Iran emerge from its present crisis, not simply because there are traditional cultural bonds between them but mainly because of the implications which chaos in Teheran may have for Pakistan's Western border. Indeed, Pakistan, the greatest Moslem state, looks more frequently to the West than other Asian nations and endeavors to take a lead in the consolidation of the Middle East.

Kashmir is, of course, a very live issue, but it does not lead either Pakistanis or Indians to forget that an independent Kashmir (and there has been some talk of it) might lead to communist infiltrations.

Nepal is in a constant state of tension and the Indians watch developments there with great concern. In Thailand there is no hiding from the fact that both Burma and Indochina are potential threats. Moreover, Thailand is the only country in Southeast Asia which has taken a strong position and has sent a battalion to Korea.

Australia and New Zealand are equally concerned with the world situation and their position leaves no room for doubt. But their immediate anxiety stems perhaps more from their status as British nations than from their geographic location. They obviously feel that it will take many years for any country of Asia to build up a military and naval might which could threaten them directly. Their strategic position in the Pacific has, however, prompted them to contribute to the Colombo Plan and to enter into a defense agreement with the United States.

Ceylon is somewhat more complacent than her neighbors. The rubber incidents with which you are familiar are not due to the allegedly strong influence of the extreme left (which strangely enough includes more Trotzkyites than Stalinists) but rather to the general impression of peace which prevails in Colombo. The Singhalese seem to feel they are well protected

by Singapore and India and also perhaps by the existence of a British naval base on the island.

The points of view thus differ from country to country, but nowhere does one find the indifference to the Soviet threat which one could expect on the basis of some newspaper reports. Perhaps India deserves special mention. In view of her size, of her hard fight for independence, and of the prestige of her leaders, India is in a position to play almost the role of leader in international politics among her neighbors, especially East of Calcutta, in the South Eastern peninsula and in Indonesia.

India has taken several steps which in fact mean that she is leaning towards the West. She has, after some soul searching, accepted assistance from the United States. She has put in jail and for long periods some of her communist leaders, and Government officials are fond of saying that, even if there were appeasement with Pakistan, the military budget should not decline but should on the contrary rise further because of Asia's predicament. It remains true, however, that the reluctance of India to side openly with the West in purely political issues has had the regrettable effect of preventing many others, Thailand excepted, from actively taking sides. The reasons for her hesitancy are not clear. Probably they can be related to an old prejudice against the West, which is a priori assumed to be imperialistic; to the faint hope that Chinese communism may evolve into a type of national socialism; and perhaps also to an over-confident feeling of security inspired by the size of the sub-continent and its population. This hesitancy is, however, sometimes interpreted by her neighbors as meaning either that there is no immediate danger or that the outcome of a conflict may be doubtful. If this cautious attitude were to change, it would have a tremendous influence on the whole of Southeast Asia, but there is no way to tell how long India's theoretical "neutrality" will effectively last, and when the potential leadership of India will become positive rather than negative.

B. - Commonwealth:

On the other hand, the extent to which the anti-British feeling has diminished in India is quite striking. Indian leaders speak and act, short of political and military commitments, as loyal members of the Commonwealth, and their attitude at the time of the death of King George VI was a remarkable tribute to the solidarity of Commonwealth Nations. It would seem that the conditions

under which independence was achieved are bearing fruit and that the British, far from being feared, are now more respected. Their assistance, especially in the technical field, is particularly welcome. True, letters from readers still appear in the papers objecting to membership in the Commonwealth but they do not seem to carry weight with the followers of Nehru or Gandhi. Thus, while the Indian Government has taken no clear position in the East-West conflict, he has a clear-cut attitude with regard to the Commonwealth.

This is even more true for Pakistan and Ceylon, not to speak of the British countries, Australia and New Zealand. Ceylon, however, carries on a policy of "Ceylonization" which may be interpreted as anti-British as well as anti-Indian - but it is not a violent one. It simply consists of pushing ahead the naturalization of foreign immigrants (especially Indians) and of encouraging the Singhalese to repurchase plantations of tea, rubber and coconut from their former owners. The new owners usually ask the European manager to stay in his job. This is hardly a policy, it is rather a trend, and it would seem that many Britons were rather pleased to sell their holdings at high prices in order to reestablish themselves in other countries, such as East Africa.

C: - Special Problem of Malaya:

The most doubtful spot is, of course, Malaya. The British announced that they intended to give an autonomous status, resembling the dominion status, to the whole territory during the next decade. It remains to be seen whether they will be able to carry out this job in as orderly a fashion as they did in India. As long as the local sultans keep their authority the program can work. In many areas, however, they tend to lose this authority and the local civil service is not as strong as in India. A favorable aspect of the situation is the apparent success of the friendly policy recently inaugurated towards the Chinese immigrants. Large numbers of them have settled on the East coast and they are being increasingly reassured.

On the whole one could say that the Commonwealth is stronger now than it was five years ago, that the leaning towards the West is general but that the leadership of India would be necessary if an effective contribution were needed urgently. So much for the political issues.

II. - Economic Issues:

A. - Sterling Area Problem:

If we turn now to the economic issues, the first one concerns the sterling area, of which all the countries we visited are members - again except for Thailand.

a) General

The sterling area countries have a few traits in common which are clearly evident:

1. They trade very actively with other members of the Commonwealth, especially the United Kingdom;
2. They are accustomed to importing British goods and prefer them to most others;
3. They are accustomed to financing their foreign trade through London, rather than through banks in their own countries, and they are therefore accustomed to dealing in sterling;
4. They have large sterling balances, both as working balances and, more important, as reserves for the Central Bank;
5. They have on the whole a tradition of wise monetary and financial management, a striking contrast with the manner in which financial policies are handled in so many other parts of the world;
6. The war and post-war periods have accustomed them to exchange and foreign trade controls, price fixing, etc.
7. Imports of British capital have in the past benefitted all of them and they are anxious to have the door open for more in the future.

It is thus natural that the restraint imposed upon these countries by the Commonwealth Conference should have been accepted by them with such unanimity. Community of habits, solidarity of trade, reliance on sterling reserves - all these make it essential for them to see sterling rehabilitated. They cannot secede from the area without foregoing a number of advantages, among which transferability within the area and with

Europe is the most outstanding. Furthermore, almost all of them have a deficit with the dollar area and rely on the central reserves to cover the balance.

b) Special Position of Malaya and Ceylon

Such is the broad picture, but it does not apply quite generally. Malaya and Ceylon are contributors to the dollar pool. Malaya has no freedom of choice since she has no central bank or independent reserves. As long as this situation prevails Malaya will remain a contributor. Ceylon, on the other hand, has a central bank and can earn dollars directly by selling rubber, copra and tea in the dollar area. It is true that her dollar markets are not quite as flexible or expendable as some Singhalese like to think, and that a large part of her export trade would in any case have to be against sterling. But all in all, Ceylon is now a net contributor and stands a good chance of remaining one. She is therefore the only country in the group which at present might conceivably find it possible to break away from the sterling area system. Substituting dollars for pounds in the Central Bank reserves is, however, not an easy and quick operation and the chances are that Ceylon will not leave the sterling area but will, rather, use its privileged position as a bargaining point.

c) Prospects

i) Restriction of imports

All members of the sterling area are required by the London agreements to make efforts to approach a balance with the dollar area. Except for Ceylon this obviously means retrenchment. Whether a sizeable improvement in the dollar balance of payments can be achieved during this calendar year or over the next eighteen months, as the Commonwealth Conference hopes, is an open question. It is clear, however, that some progress can be made even aside from additional financial help in dollars, such as the I.B.R.D. is able to give. Restricting imports from the dollar area is the first step and licensing has become tougher in all the countries we visited.

ii) Development of exports

There are, however, limits to this process, development needs being one of the obstacles. Expanding exports is another possible step. The recent lowering of export duties on manufactured jute in India and on raw jute in Pakistan are signs of this trend.

Australia and New Zealand often declare that they have not done enough to expand their exports to the

dollar area. The U.S. now gets some lead and zinc from Australia, and some wool also. Apart from these, the main exports from Australia and New Zealand would be foodstuffs which the prospective exporters fear would not command a really steady market in dollars. They are afraid that substantial exports of cheese, butter, bacon and meat to the United States would promptly bring about protective measures which would foil their hopes. One should expect, however, a new drive to export the products of these countries, either directly or through the intermediary of London.

iii) Develop-
ment of
trade within
the area

A last possibility, and to my mind the most promising one, lies in the substitution of sterling and soft currency goods for dollar goods. The members of the Commonwealth all turn instinctively to the United States and Canada when they find that the United Kingdom cannot supply them. The increase in European productive capacity should offer them opportunities which they have neglected until now. In addition, the sterling area countries could exchange more among themselves.

One instance is particularly striking. One of the main reasons for the dollar deficit of India is wheat imports. If Australian wheat production could recover at least part of the sizeable reduction it has suffered since the war, India could to a large extent import sterling instead of dollar wheat. This would be of benefit not only to Australia and India but to the sterling area as a whole. The drive for more production and less imports has thus a very concrete and practical aim. It should read, however, more production and not less imports but less dollar imports, unless there are more dollar exports.

iv) Need for
incentives
to produ-
cers

It is only fair to add that since the war emergency is over, producers respond more easily to price incentives than to appeals in the name of the public weal. It would not be surprising if in the whole area we visited the rather strict price control systems which survived the war and affect mainly basic commodities, would progressively loosen up.

v) Capital
movements

It is not enough to cite the hopeful signs. One must also underline the difficulties. The freedom of movements of capital from the United Kingdom to the members of the area is one of the very strong links among them. The Commonwealth Conference has left little hope that capital subscriptions for the members will be easy in London during the coming months. It has even strongly impressed upon the members that drawings on £ balances should be reduced to a minimum. This would

be an untenable position in the long run. It is essential that some margin of net exportable resources be created in the United Kingdom and that the traditional flow of capital - if only in the form of repayment of balances - be restored as quickly as possible. Otherwise the members, who are all capital importers, would find themselves in the unpleasant position of demanding payment.

B. - Development:

It has been stated above that development is one of the factors making for sustained imports, in particular continued or increased dollar imports. The drive for development is noticeable all over the area although to a lesser degree in Ceylon and to an even lesser degree in Thailand, which is under much less pressure.

Population growth, political advancement, social consciousness, defense, all of these are powerful motives but they have a different emphasis according to what country we consider. There is no common measure between the Australasia group and the Southeast Asia countries. Australia and New Zealand are mature, or almost mature economies, where the national income per head is 700 or 800 dollars per annum; where, in spite of many obstacles, private enterprise is thriving; and where population growth would be small were it not for systematic immigration. Their main ambitions are the same as in countries like Finland or Italy - more public utilities, more housing and, in the case of Australia, more basic commodities such as wheat and steel. They have a development problem in the sense that the traditional import of capital from England is being reduced, that their own savings are not sufficient to substitute for this, that they have to husband their resources and to call on outside sources of financing in part from the dollar area. Their problems are less broadly economic than financial and we shall therefore neglect them in the following discussion.

The picture is very different in India, Pakistan and Ceylon, where population growth is rapid and income per head is somewhere between 75 and 100 dollars per year. Here new land can be reclaimed only at the expense of irrigation, drainage or jungle clearance. Plantation methods have to be abandoned in favor of smaller holdings or conversely uneconomic units must be consolidated. Some land reforms must be carried through. Private initiative is not very vigorous

and, when willing, may be looked down upon as profiteering and hamstrung by regulations.

One should not forget, also, the one condition which can safely be said to be common to all the underdeveloped countries, namely that their daily problems are usually so pressing they have little time to look ahead or to take stock of their resources, present and future. Under the circumstances they find it difficult to work out policies and programs conducive to investment and public expenditures which would, after a number of years, result in a consistent and integrated economic pattern. It is the great achievement of the Colombo Plan that it stimulated each of the member countries to do just that.

Of all the individual development plans now known in some detail the Indian one is the most complete. It is also reasonable in size and sensible in its composition.

The Pakistanis are currently working on a program and, as you know, Ceylon has asked the International Bank to assist them in preparing an investment program. This will soon be made available to the Government.

Strikingly, the Colombo Plan countries do not seem to fall in the usual pitfalls which threaten the underdeveloped countries in their efforts to accelerate their progress. Inflationary financing and over-industrialization are the two main temptations.

As to the first, the British tradition of sound financing is so engrained in their civil and central banking services that there is more orthodox talk and actual practice there than in many other more fortunate parts of the world. True, the Indian plan contains a veiled threat that if foreign financial aid is lacking, the so-called "irreducible minimum" part of the plan would be executed anyway, even by inflationary means. The chances are, however, that if MSA and Commonwealth aid programs are carried on, if sterling balances remain available and if satisfactory projects can be submitted to institutions like the International Bank, this threat will not have to materialize.

As to the second pitfall, industrialization still lures many planners, but if one goes into the details of the investments actually under preparation one finds them on the whole reasonable. Pakistan plans mostly to expand cottage industries, cement production and the processing of her own raw materials, such as cotton and jute. For all these industries she needs power, but the main concern

remains the improvement and expansion of agriculture.

Ceylon has some industrial plans which could probably be criticized. Since final decisions do not seem to have been made on most of them and no definite program has yet been adopted, it is too early to pass judgment. Here also the main emphasis is on agriculture and on reclamation and settlement of the land.

India has, in addition to its substantial agricultural projects, a considerable industrial program. If there is one underdeveloped country where more industrialization is warranted, India is that country. It has large mineral resources not to speak of an ample labor supply. In spite of the broad possibilities which improvement in agricultural techniques offer to the workers on the land, productivity would probably tend to increase more rapidly in industry than in agriculture. Consequently, the national income would tend to rise more quickly. Assuming that agriculture is not neglected, there is room for industries in India and they should be encouraged. But this means considerable investment.

One important point should be made here. The building of dams for expansion of agriculture and power, the improvement in agricultural methods, and the creation or expansion of industries all require large numbers of technicians. The Colombo Plan countries have listed for the Colombo Plan Conference their requirements in technical aid. It is not certain that they have been demanding enough. Most of the technicians whose help is requested are advisers for Government departments. Actually, managerial skills and experienced operators are needed more than anything else.

Pakistan and Ceylon seem to be more anxious to receive that kind of aid from abroad than India although India, in view of the nature of her program, would probably be more in need of it. It will be difficult to convince a large and proud country, whose public opinion is sensitive, whose young engineers are well educated and ambitious, whose civil servants are remarkably well trained, that management is not the same thing as knowledge or wisdom. In my opinion the greatest obstacle to carry out a plan which otherwise is praiseworthy, is the reluctance on the part of many Indians to seek advice and experienced managerial personnel from abroad.

Except for this point on technical aid, broadly speaking all these plans are based on a realistic appraisal of resources available, domestic and foreign, and of the directions in which development can take place.

In a sense the programs can be termed modest: on the basis of the plans set forth at the first Colombo Plan Conference, they provide for an increase of only 30 to 40 per cent in the rate of investment over the 1947-49 rate. Production targets allow for hardly more than a maintenance of the income per head at its present level. In fact a large part of the investments to be undertaken during the next five years will not yield results until some years later. Furthermore, new investments will be undertaken during the year following 1955/56. The cumulative effect of these efforts would not become apparent until eight to nine years from now. It is hoped that by then income will be increasing more rapidly than population.

The reason why the targets have been fixed at modest levels is that resources are limited. When incomes per head are at or below \$100 a year, one cannot expect savings to run high. But it becomes all the more important to avoid waste in any form.

We have already mentioned the need for foreign assistance in the technical field. But this is part of the answer only. There is a graver form of waste than inefficiency. It is negligence in tapping available financial resources, in fostering the use of existing savings in fields of production where they could be invested. I am referring to a frequent attitude of government planners and policy makers towards private investments. When it is felt that an investment or a group of investments would be desirable, the first reaction is not always "How much of this can be carried by private interests? What would be necessary to induce them to take the risk?". True, it is more than likely that in many cases no private investors could be found and that the government would have to substitute for them in the end. But in just as many cases, and this is particularly true of India, there exist a group of private investors who would be interested in taking a risk, given the necessary profit motive. Too often, however, useful and attractive projects are set up out of public monies, headed by civil servants. Even after they have proved to be profitable, and therefore could be sold out, they remain in state ownership.

It is not easy to trace the real causes of this attitude. Sometimes the planners and civil servants have indeed displayed more imagination than have private interests. Sometimes they contend, and rightly so, that private capital is not available, which may mean either that private capital is actually timid or, just as likely, that the venture will in the end turn out to be unprofit-

able. Sometimes the argument will be made that a monopolistic position is necessary to make the industry work and that monopolies should be state controlled. Too often, however, the argument is simply based on socialist or quasi-socialist ideology, the fear of so-called "capitalist exploitation", and no real attempt is made even to investigate under what conditions private investment could be mobilized.

That this is waste is only too clear. It is

- (a) a waste of public funds,
- (b) discouraging real investment by groups which have the savings.

The Indian Five Year Plan consequently rejects this policy in principle, but it is difficult to reconcile its general pronouncements, which still are the wishes of a committee rather than the rules of a government, with the daily practices of government officials.

There is hope that the advantages of cooperation with private interests will become progressively clearer to the governments. But in order that private capital should become more aggressive, the profits must be attractive. And this in turn means that price-fixing and to a lesser degree fiscal policy, should be so adjusted as to provide incentives.

In other words, it is impossible to separate development policies from general economic policies, and long-term targets from day to day decisions. This problem is not peculiar to India or to Australia, the two main countries in the area where producers ask for incentive prices. It arises the world over. But it is particularly acute in India and in Australia. Merely removing price controls would, say the government officials, bring about nothing but chaos and a general rise in prices. On the other hand, the basis on which prices had been fixed usually dates back to 1940 or 1941. Thorough readjustments are therefore needed before any government can say with assurance that private capital is unwilling to undertake certain ventures.

We have singled out India and Australia because the problem is not at all the same in other countries. Pakistan relies rather heavily on private investment and has practically no price control. Ceylon and Thailand do not have price controls (unless the rice monopoly in Thailand and the subsidies in Ceylon are to be termed controls) but they have also very inactive groups of private investors.

There is, however, in India and Pakistan one peculiar feature which will be the subject of my closing remark. Low incomes and rising population are not their only common features. The improvement of educational standards began some decades ago in all these countries and it is indispensable that it should continue to provide the human equipment without which no progress would be possible. There is a race going on not only between income and population, but also between hopes for a better living (i.e. anticipated income) and level of education. Enlightened discontent should not spread more quickly than usefully employed technical knowledge. To win that race, increased investment is necessary. Besides policies conducive to investment by local and foreign private capital, besides full mobilization of local financial resources, substantial foreign assistance is required. Whatever form it takes, technical assistance, grants or loans, all those who take any part in it should remember that waste would be unforgivable, and that the type of project they help to set up, and the manner in which each project is carried out, are almost as important as the amount of the contribution they are able to make.
