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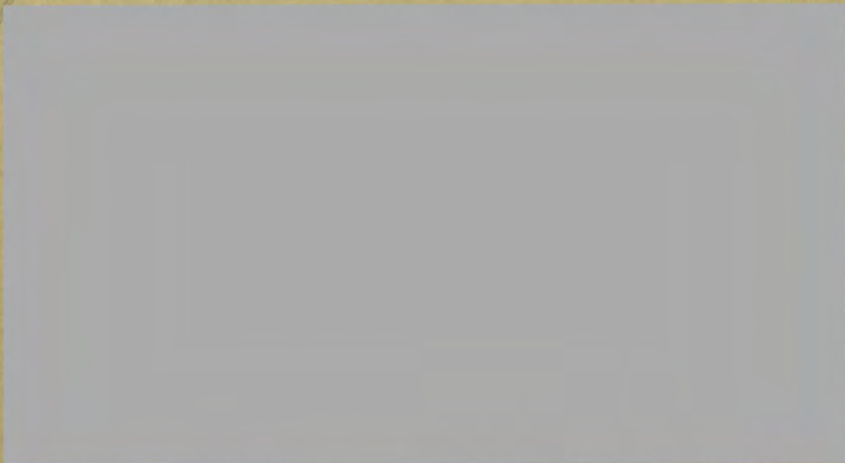
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Street, Gordon - Articles and speeches (1966-1970)



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Street, Gordon - Articles and Speeches (1966 - 1970) - 1v

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*Speeches - Street*

Mr. Gordon M. Street

February 10, 1966

S. Sankaran

Papers to be presented at the International Conference on  
Doing Business with Japan

Here are the two papers. These incorporate the changes suggested by you. As requested by you I am sending herewith the following documents:

1. Statement of Loans as of December 31, 1965.
2. Statement of IDA Credits as of December 31, 1965.
3. Japan as a source of supply for Bank and IDA-financed projects -- as of December 31, 1963.
4. Press releases on all the 30 loans made in Japan.
5. A summary of lending activities of the World Bank in Japan -- updated to December 31, 1965.

Terms of Bank Loans in Japan:

Bank loans to Japan have ranged in term from 13 to 26 years and carried at interest ranging from 4-5/8% to 6½%. The most recent loan of September 10, 1965, to the Hanshin Expressway Public Corporation, carried interest at the rate of 6½%. This was in line with the Bank's policy adopted in February 1965. Under this, the Bank is charging a slightly higher rate of interest on loans to countries that are able to cover the bulk of their external capital needs from market sources. The rates of interest for these countries would be roughly comparable to those they pay when borrowing in the market, but in no case more than 1 per cent higher than the standard lending rate of the Bank which at present is 5½ per cent. Two other countries, Italy and New Zealand, have been charged higher rates of interest during 1965.

SSankaran/mj

cc: D. Eliason

*(copy of all to Paris)*



S. Sankaran  
February 10, 1966

Paper to be presented by Mr. Gordon Street  
before an International Conference on Doing  
Business with Japan.

Venue: Palm Springs, California  
Date: March 3, 1966

Paper I -- World Bank Financing in Japan

Gentlemen:

1. I am very grateful for giving me the opportunity to participate in this international conference. The World Bank Group has been doing business with Japan since 1952, when she became a member of the Bank. This was a year after the country's economy was restored to pre-war levels and set on the road to achieve what has come to be known as the Japanese "miracle".
2. Before explaining World Bank financing in Japan, let me briefly describe the World Bank Group of institutions. The Group consists of three institutions which share the common purpose of assisting economic development in member countries. The largest unit of the Group is the World Bank itself. Its 103 members have put up a subscribed capital of \$22 billion, one-tenth of which is actually paid-in. It makes long-term development loans at conventional interest rates. Since the start of its operations in 1946, the Bank has made loans in 77 countries totaling \$9 billion.
3. The older of the Bank's two affiliates is the International Finance Corporation, which now has 81 members. The Corporation works exclusively



in the private sector. So far it has committed some \$150 million for the development of productive private enterprises in 34 countries.

4. The other affiliate, the International Development Association, was established in 1960. It promotes economic development in countries not fully able to bear the burden of loans made on conventional terms. Its credits are made at very long term and free of interest. So far it has lent \$1,192 million in 30 of its 96 member countries.

\* \* \*

5. In the past 14 years, Japan has played a significant role as a member of the Bank: it has made capital available to the Bank and its two affiliates, and has been an important source of procurement for projects financed by the Bank and the Association in other member countries. Japan has made more use of World Bank financing than any other country except India. As of December 31, 1965, Japan has received 30 loans totaling \$757 million for the development of industry, electric power, transport and agriculture.

6. The prime mover of Japan's fast economic growth, as you are all aware, has been the extremely high level of investment in directly productive activities in the private sector. By far the greater part of private investment has been devoted to the expansion of industries, especially of the heavy and chemical industries. The results have been amazing. Industrial production since the beginning of the fifties has been extremely rapid, leading to a doubling of output every five or six years. Today Japan is among the largest industrial producers of the world.



7. We in the World Bank are particularly proud to have been partners in this great industrial upsurge. Eleven of the Bank's loans totaling \$163 million have assisted the modernization and expansion programs of six of <sup>Japan's</sup> ~~our~~ steel companies: the Yawata Iron and Steel Company, the Japan Steel and Tube Corporation, the Kwasaki Steel Corporation, the Sumitomo Metal Industries, the Kobe Steel Works, and the Fuji Iron and Steel Company. These loans were made at a time when the need for inflow of capital was acute and when the Japanese companies were finding it difficult, for one reason or another, to resort to self-financing on a big scale. All the works financed with the assistance of our loans have been completed and they have led to marked modernization of the steel industry.

8. Continuous and heavy investment to enlarge the country's electrical generating capacity has been needed in the period following the war to keep pace with growing demands of Japanese industry. In fact, the Bank's first three loans in Japan, made in 1953, were for electric power development. In all, the Bank has lent over \$175 million to finance urgently needed hydroelectric and thermoelectric power projects designed to add over 1.6 million kilowatts to generating capacity.

9. Development of transportation in Japan -- highways and railways -- has accounted for \$410 million or over 54% of all Bank lending in Japan. In the past five years, Bank lending for this purpose in Japan has averaged \$82 million a year, and supplemented the Government's investment program in the transport sector, which during the 1950's has been lagging



severely behind the general increase in production capacity. I will deal with this subject in a more detailed manner in my forthcoming paper on the need for expanding public works programs to promote effective functioning of Japan's manufacturing and distribution systems. I just wish to point out how expected benefits have been realized in some of the Bank-financed transportation projects. The Bank has lent \$280 million to help finance the construction of the 335-mile toll expressway between Tokyo and Kobe. Some of the sections of this expressway have already been opened for traffic and have helped to reduce travel time and transport costs. This is also true of the new Tokaido line, toward which the Bank made a loan of \$80 million.

10. Japan's population of almost 100 million lives in a relatively small area; but by intensive cultivation, the country produces a substantial part of the food it needs. A Bank loan, of \$4.1 million, made in 1956, assisted the Agricultural Land Development Machinery Corporation in carrying out several pilot land reclamation projects in remote areas, mostly on the islands of Hokkaido and Honshu, and financed the import of about 8,000 head of Jersey breeding cattle for use on existing farms and on the new settlements in the reclaimed areas. With another loan of \$4.9 million, the Bank supported a project in the Aichi region of central Japan, which will eventually irrigate more than 30,000 farms, supply drinking water for many towns and villages, increase the supply of water for industrial use to three cities, and provide 10,000 kilowatts of electric power.

\* \* \*



11. The business between Japan and the World Bank Group has been beneficial to both. On her part, Japan has subscribed to the capital of the Bank. Her subscription is \$666 million. Like all other members Japan has paid in only one-tenth of this amount. Japan's initial subscriptions to IDA amounts to \$33.6 million. In addition, Japan is contributing \$41.25 million, as her share of the replenishment of IDA's resources by about \$750 million through contributions from the economically advanced member countries. She has been a member of the Bank-sponsored Consortia to coordinate assistance to India and Pakistan. Japan has also provided funds for Bank lending in another way: Japanese investors have bought Bank bonds and portions of Bank loans.

12. On the supply side, Japanese industry has been increasingly successful in obtaining export orders for goods and services required to carry out Bank financed projects in other countries. Total expenditures by Bank borrowers in Japan up to the end of December 1965 were \$190 million -- nearly three times its paid-in subscription. Goods and services supplied by Japanese companies have been of wide variety; but in particular Japanese suppliers have competed very strongly for orders connected with the execution of projects for the development of railways and power. For instance, Japanese suppliers have participated in railway projects in India, Pakistan and Thailand; power projects in El Salvador, Colombia and the Philippines; and a telecommunications project in Ethiopia.

13. Japan's share in the disbursements of IDA is also sizeable. The cumulative total of such disbursements in Japan amounted to \$79.6 million by December 1965.



14. Japanese industry has also been the beneficiary of the Bank loans made in Japan. The Bank's policy is that its borrowers should obtain their supplies on the basis of the widest feasible international competition among suppliers in the member countries and Switzerland. Some of the early Bank loans to Japan helped to finance import of equipment. However, with Japan's expansion of industrial capacity and the improvement in international competitiveness in a long line of Japanese products, she was able to procure internally the bulk of the equipment and services needed to carry out Bank-financed projects in Japan. The resulting benefits to Japanese industry have been impressive. Up to December 1965, the Bank had disbursed some \$522 million under its 30 loans in Japan. A very substantial part of this amount was for expenditures in yen in Japan.



S. Sankaran  
February 10, 1966

Paper to be presented by Mr. Gordon Street  
before an International Conference on Doing  
Business with Japan.

Venue: Palm Springs, California  
Date : March 4, 1966

Paper II -- The need for expanding public works programs to promote effective functioning of its manufacturing and distribution systems. Increasing urbanization as a factor in public works planning. Relative importance of transportation, communications, water conservation and distribution, sanitation works and facilities for medical care, education and recreation.

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Gentlemen:

1. The strategy of Japan's recent economic growth has been the massive investment in modern industrial facilities. It has paid rich dividends on the domestic front. The results are equally amazing on the external front. Japan's export performance in the past couple of years has surpassed even the most optimistic expectations of experts both in and outside the country. This is due in part to the fact that world trade in 1964 increased very substantially. But the more important reason, in my mind, is the enormous investments and technological innovations in industry, which improved Japan's international competitiveness in a long line of products.



2. Now the problem before Japan is to maintain and improve the international competitiveness of industry. The problem has become particularly urgent since the government shifted to an open-door economy in 1964. Recent Government policy lays considerable stress on the need for improvements in techniques and productivity of individual enterprises, rationalization of management, sound financing, expansion of public facilities for industrial use, better utilization of labor force, and improvements in working conditions.

3. It is in this context I propose to discuss the pattern of infrastructure investments in Japan. For a number of years, economists, both in Japan and abroad, have expressed fears that the expansion of the private sector, the cornerstone of Japan's success, will eventually have to slow down unless public sector investment in public works such as transport etc., and the social infrastructure can be speeded up -- a fear shared by your government, which has already initiated measures to rectify the position.

4. A significant recent development has been the rapid increase in government capital expenditure for infrastructure investment. Total investment in the public sector has gone up from around 8 per cent GNP in the late 1950's to 11.5 per cent in 1964. The Government's efforts are directed toward catching up with the accumulated arrears and keeping pace with further growth of the economy. It is clear that deficiencies in the transport field could lead to acute marketing difficulties, higher distribution costs and even curtailment of production.



5. There is scarcely any doubt that the intensity of utilization of the transport network in Japan is much higher than in many other countries. Less than 20 per cent of Japan's road network of 94,000 miles is paved. Most roads, even national highways are narrow and winding with little or no shoulder. Traffic normally operates under congested conditions and as a consequence vehicle operating costs are high. The number of motor vehicles has reached 6.8 million, representing a five-fold increase in the past decade. The Japanese Government has embarked on a five-year expansion program of highway construction, which is estimated to cost the equivalent of over \$11 billion.

6. The World Bank has so far lent \$410 million for development of transportation in Japan. Of this amount, \$280 million is helping to finance the construction of the 335-mile toll expressway between Tokyo and Kobe. The western end of the expressway, extending 114 miles from Kobe to Nagoya is already open for traffic, and <sup>the expressway</sup> ~~it~~ is scheduled to be opened over its entire length in early 1969. It will alleviate traffic congestion in the Tokaido region, one of the greatest concentrations of industry and population in the world. The most important economic benefits of the expressway are reduced transport costs and time savings.

7. Japan's efficiently operated railway network is dense, and carries heavy traffic. Main lines are utilized to saturation point. The new Tokaido Line has relieved the pressure between Tokyo and Kobe. A Bank loan, of \$80 million, to the Japanese National Railways, helped to finance the construction of the new line, which provides the fastest service in the world. The project is the result of Japanese genius,



from planning to execution, and the World Bank and the world in general have learnt a lot from this. I gather that the line is going to be extended to Okayama.

8. Concentrated investment and rapid growth in industry has led to a high rate of urbanization in Japan. As we have found in other developed countries of the world, a high degree of urbanization makes great demands on the transportation and communications systems, partly for the movement of people to their work and the distribution of the raw materials to, and finished products from, the factories, but also to mitigate the rigors of urban life for the growing populations of the industrial cities. Two other Bank loans for road development are helping to meet these additional needs for transportation. For instance, a loan of \$25 million is financing the construction of an expressway from Haneda to Yokohama. This region is one of the most densely populated and heavily industrialized regions in the world. The new expressway will relieve the severe congestion in city streets between Tokyo and Yokohama and sharply reduce vehicle operating costs and travel time. Similar benefits will accrue from the toll expressway being constructed in Kobe, with the assistance of a Bank loan of \$25 million.

9. The Government's plans similarly call for larger investments to improve and expand housing, telecommunications, agriculture and education. We have not had occasion to examine some of these problems. But we have no reason to doubt the judgment of the Japanese authorities that all these steps are necessary, not merely to make up for past arrears,



but to improve the quality of living of the people. Improved education, better housing and environmental facilities are important aspects of human resources development. In pure economic terms, they contribute toward improving the working capacity of the people and thus assist economic growth.

S. Sankaran

February 10, 1966

WORLD BANK LOAN<sup>S</sup> IN JAPAN

<u>Purpose and Number of Bank Loans</u>		<u>Amount</u>
Agriculture	1	\$ 4,118,000
Industry	11	162,566,000
Multipurpose	1	4,872,000
Power	9	175,484,000
Transportation	<u>8</u>	<u>410,000,000</u>
<u>Total</u>	30	<u>\$757,040,000</u>

1. Japan has made more use of World Bank financing than any other country except India. As of December 31, 1965, Japan had received 30 loans totaling \$757.0 million, net of cancellations. These loans have covered a wide variety of projects, for electric power production, the manufacture of iron and steel, land reclamation, irrigation, the building of express highways and the construction of the world's fastest railway line.

Industry

2. Eleven loans to industry, totaling \$163.4 million, have been channeled through the Japan Development Bank, a public agency which supplies long-term credit for development projects. Most of this sum has been used to help in modernizing and enlarging Japan's steel capacity.

3. The steel industry not only earns an important share of Japan's foreign exchange income; in the domestic market the industry's success in providing



ample supplies has done much to help the rapid post-war growth of the Japanese economy. In recent years the steel producers have undertaken capital investment programs to modernize and enlarge their plants, and, in particular, to reduce their dependence upon imported scrap by expanding their pig iron capacity.

4. Six steel companies have received loans: all the works financed with the help of the Bank have been completed. Yawata Iron and Steel Company, the largest steel firm in Japan, borrowed \$5.1 million in 1955 to replace three old plate mills at its Yawata works with one modern plant. In 1959 it borrowed \$20 million more to install new equipment needed to raise its Tobata works to the status of a fully integrated steel plant.

5. The Japan Steel and Tube Corporation (Nippon Kokan Kabushiki Kaisha) received \$2.38 million out of a larger loan of \$7.56 million made to the Japan Development Bank in 1956, to pay for a new tube mill. A further loan of \$21.8 million in 1958 financed the extension of this mill, and covered the foreign exchange cost of the first stage of construction of a new integrated steel mill at Mizue near Tokyo.

6. The Kawasaki Steel Corporation borrowed \$20 million in 1956 for a semi-continuous hot and cold strip mill for its Chiba plant near Tokyo, returning to the Bank in 1958 for another \$8 million for a new blast furnace for Chiba and in 1960 for a loan of \$6 million for a new plate mill and other equipment for the same works. The 1960 loan was linked with the private placement in the United States investment market of \$4 million of notes issued by Kawasaki, the Bank's support thus opening up for the company a new source of funds for its investment program.



7. The largest single loan made by the Bank for the development of the Japanese steel industry went in 1958 to Sumitomo Metal Industries, which borrowed \$33 million to finance the construction of a blast furnace and blooming mill at the company's plant at Wakayama in Honshu. The company also borrowed \$7 million from the Bank in 1960, the transaction being linked, like the loan to Kawasaki of the same date, with a private placement of \$5.8 million of notes in the United States.

8. A fifth borrower, the Kobe Steel Works, received \$10 million from the Bank in 1958, largely to finance equipment for a mill at Nadahama on Osaka Bay. The loan covered a blast furnace, harbor installations and a 16,400-kilowatt thermoelectric power plant. Finally, the Fuji Iron and Steel Company, which in size ranks second as a producer only to Yawata, borrowed \$24 million in 1959 to finance a blast furnace, sintering plant, converters and a slabbing mill at Hirohata on the inland sea.

9. Three companies outside the steel industry shared, with Japan Steel and Tube Company, in the \$7.56 million loan made in February 1956 through the Japan Development Bank. The \$5.17 million lent to them paid for machines and machine tools imported from six countries. Mitsubishi Shipbuilding and Engineering Company Limited bought machines and machine tools needed to manufacture turbosuperchargers and heavy diesel engines. Mostly installed at the company's Nagasaki shipyards, these machines made it possible for Mitsubishi to meet a shift in demand from comparatively small diesel engines to higher-powered supercharged units. Ishikawajima Heavy Industries Company Limited bought machine tools needed in manufacturing steam turbines and other heavy industrial machinery. The remainder of the loan went to the Toyota



Motor Company Limited, and financed machines needed to modernize the company's production of trucks and bus chassis.

#### Electric Power

10. Continuous and heavy investment to enlarge the country's electrical generating capacity has been needed in the period following the war to keep pace with the growing demands of Japanese industry. During the past decade, the Bank has lent over \$175 million to finance urgently needed hydroelectric and thermoelectric power projects. Of this amount, \$150 million was channeled through the Japan Development Bank.

11. The Bank's first three loans in Japan, made in October 1953, were for electric power development. Three privately owned companies received loans totaling \$37.5 million to build thermoelectric generating plants. Although these companies were responsible for over a third of all power generated in Japan, much of their capacity consisted of run-of-the-river hydroelectric plants whose output fell when the rivers were seasonally low. The thermoelectric plants were needed to help firm up system capacity.

12. More than half the money lent for electric power development in 1953 went to the Kansai Electric Power Company, Inc., one of the largest privately owned power companies in the world. It received \$20.6 million to cover the foreign exchange cost of a 150,000-kilowatt plant built at Tanagawa on Osaka Bay in central Japan. The plant, completed in 1956, serves the most important industrial area of Japan, including the cities of Osaka, Kobe, Sakai and Amagasaki, and provides power for the manufacture of metals, machinery, chemicals, ceramics, textiles and ships. Kansai borrowed a further \$37 million in June 1958 toward the cost of a dam and a 258,000-kilowatt underground power



station on the Kurobe River in a remote part of the central range of the Japanese Alps. To provide access to the site, which otherwise is inaccessible for heavy equipment, it was necessary to drive a 3-1/2 mile tunnel through a mountain range from a parallel valley. Another tunnel, six miles long, connects the dam to the power station. Because the dam also regulates the flow of the Kurobe River, it should substantially increase the output of existing power plants further downstream.

13. The Kyushu Electric Power Company, Inc., received a loan of \$10.5 million in October 1953, toward the cost of a 75,000-kilowatt thermoelectric station at Karita on the northeast coast of Kyushu. This plant serves an area where more than half Japan's output of coal is mined, and which is also a center of basic metal and chemical manufacturing. The third borrower in 1953 was the Chubu Electric Power Company, Inc., which received \$6.5 million to meet the foreign exchange cost of a 66,000-kilowatt unit at the new Mie power plant on Ise Bay in central Japan. It serves the Nagoya area, providing power for companies making chinaware, textiles, and sewing and textile machinery.

14. Both Kyushu and Chubu have since borrowed again from the Bank. In September 1958, Chubu borrowed \$29 million for its 170,000-kilowatt Hatanagi hydroelectric project in central Honshu. This consists of a high dam and reservoir to direct the flow of the Ohi River successively through an upper power station, a second reservoir, a long tunnel and finally a lower station. A pump-back installation at the upper station permits increased output during hours of peak demand, while silt control and regulation of the river's flow by the reservoirs improves the operations of power plants further downstream.



Kyushu borrowed \$12 million in March 1961 to finance its new Shinkokura thermoelectric plant, built on reclaimed land at Kokura on the coast of northern Kyushu. The plant, with an initial capacity of 156,000 kilowatts but designed for future expansion to 532,000 kilowatts, uses local low-grade coal.

15. In June 1958 the Bank lent \$25 million to the Hokuriku Electric Power Company, a privately owned firm serving the Toyama area on Honshu. Most of this company's output is consumed by industry which, although attracted into the area by the cheap electricity generated by run-of-the-river hydroelectric plants, has been able to work only part-time during the winter months when the river's flow is reduced. The project for which the loan was made now provides more reliable supplies of power throughout the year: the 450-foot-high Arimine Dam, on the Joganji River in the Japanese Alps, stores water to drive the turbines of five new power stations built at successively lower levels downstream. The project also included enlargement of an existing power station, so that in all a total of 261,000 kilowatts has been added to Hokuriku's capacity.

16. The Bank's lending in Japan reached a new stage in February 1959, when for the first time a joint borrowing operation in the United States private investment market was arranged. The Bank lent \$10 million to the Japan Development Bank; at the same time, the Japanese Government issued \$30 million worth of bonds on the New York market. The combined proceeds were re-lent to the Electric Power Development Company, an agency almost wholly owned



by the Government, to finance its 215,000-kilowatt hydroelectric project at Miboro on the Sho River, near the west coast of Honshu. The output of this plant is sold to the Kansai Electric Power Company. Because the new dam now regulates the flow of the river, Kansai's own plants, downstream from Miboro, are able to operate more efficiently than before.

17. More recently, in June 1965, the Bank made a loan of \$25 million to the Electric Power Development Company to help finance two hydroelectric power plants on the Kuzuryu River with a combined capacity of 274,000 kilowatts. One of these, a 220,000-kilowatt pumped-storage station with an associated dam and reservoir will be located at Nagano. The other, a 54,000-kilowatt conventional type station will be constructed at Yugami. The project is part of a plan for the development of three sites on the Kuzuryu River being carried out jointly by the Electric Power Development Corporation and the Hokuriku Electric Power Company. The latter will build a 48,000-kilowatt power station downstream, and buy the entire output of the two other stations.

#### Agriculture

18. Japan's population of almost 100 million lives in a relatively small area; but by intensive cultivation, the country produces four-fifths of the food it needs. In order to develop some 2.5 million acres of remote or scrub-covered land, the Japanese Government undertook a program to settle farmers in these areas, supporting them while they cleared and prepared the land by their own hand labor to make it capable of growing satisfactory crops. The Agricultural Land Development Machinery Public Corporation was established to experiment with modern heavy clearing and earth-moving machinery to find out whether this would be a practical way of reclaiming land more quickly. In



December 1956 the Bank made a loan of \$4.1 million to assist the Corporation in carrying out several pilot reclamation projects, and also to finance imports of dairy cattle.

19. The program covered the clearance of 46,000 acres, mostly on the islands of Hokkaido and Honshu. The useful working life of the crawler tractors and other equipment has permitted reclamation of further large areas beyond this. About 1,000 new farms have been established so far, and 2,000 existing farms have received additional land. On average, most of the new farms have covered their expenses in their fourth year of settlement, three years earlier than expected. A separate project in the Ishikari Valley of western Hokkaido, where the climate is milder, used Bank-financed machinery to drain, top dress, and irrigate nearly 30,000 acres to grow rice and other crops. A further part of the loan financed imports of about 8,000 head of Jersey breeding cattle from Australia for use on existing farms and on the new settlements.

#### Multipurpose Project

20. Agriculture also benefited from a loan of \$4.9 million made to the Aichi Irrigation Public Corporation in 1957. In the Aichi region of central Japan, the Bank has supported a project which will eventually irrigate more than 30,000 farms, supply drinking water for many towns and villages, increase the supply of water for industrial use to three cities (including Nagayo), and provide 10,000 kilowatts of electric power.

21. When in full operation, the project will irrigate some 70,000 acres of land, including about 27,000 acres of rolling uplands. Formerly, such hilly areas could be irrigated only through expensive leveling. Under the project, contour furrow irrigation was introduced for the first time in Japan



in an effort to demonstrate the possibilities for development of ridge lands. A dam, built at Makio Bridge on the Otaki River, impounds a reservoir whose outflow drives the turbines of a 10,000-kilowatt power station for the Kansai Electric Power Company, and feeds a 68-mile main irrigation canal and some 780 miles of secondary canals on the Chita Peninsula.

#### Transportation

22. Japan's road network, excluding municipal roads, exceeds 94,000 miles in length, but less than 20% is paved. Traffic normally operates under congested conditions and as a consequence vehicle operating costs are high and accident rates are heavy. The number of registered motor vehicles has reached 6.8 million -- a five-fold increase in the last 10 years -- and freight and passenger traffic by highway has increased at substantially higher rate than other modes of transportation. The Government is taking measures to improve all forms of transport and highways in particular. It has approved an investment equivalent to \$11.4 billion in highway construction, improvement and maintenance over the five-year period through 1969.

23. An important part of the Government's highway development program consists of building a 333-mile toll expressway highway linking Tokyo and Kobe. The Bank has made five loans totaling \$280 million to the Japan Highway Public Corporation for financing the construction of this express highway. Except for a 22-mile six-lane section near Tokyo, the new road is a four-lane divided highway, by-passing all towns. To avoid densely-populated or rice-growing areas, it has been necessary to drive several long tunnels, while bridges and viaducts have been needed to carry the road across areas subject to flooding, and across major rivers, roads, railways and urban areas.



Sections of the western end of the expressway, extending 114 miles from Kobe to Nagoya, are already open to traffic. The expressway is scheduled to open along its entire route early in 1969.

24. In December 1964, the Bank made a loan of \$25 million to the Tokyo Expressway Public Corporation, a public entity responsible for building and maintaining toll roads for the movement of traffic between Tokyo and its suburbs. The loan is assisting the construction of an 8-mile expressway from Haneda, Tokyo's International Airport, to Yokohama. The Haneda-Yokohama expressway will be a four-lane, toll road. For most of its length it will be built on piers as an elevated structure over an existing city street, which will be widened where necessary to accommodate ramps and toll facilities; the rest of it will be built partly along a newly acquired right-of-way and partly above a canal. The project is scheduled for completion by mid-1968.

25. More recently, in September 1965, the Bank made a loan of \$25 million to assist in financing a toll expressway in Kobe, which is Japan's fifth largest city and second major port. The 7.8-mile elevated expressway is designed to relieve congestion on city streets, speed up travel time and reduce transport costs and to provide a fast route for through-traffic that has to traverse the city in both easterly and westerly directions.

26. A loan, made in May 1961, and amounting to \$80 million, helped the Japanese National Railways to construct a new railway line and thus provide the fastest service in the world. The New Tokaido Line, as it is known, runs for 311 miles between Tokyo, Yokohama, Nagoya, Kyoto and Osaka, and is used only for passenger and express freight services, at speeds up to

125 miles per hour. Built parallel to the existing narrow-gauge railway, which is greatly overloaded, the new line is an electrified system with standard gauge double track. The entire line opened for service in 1964 and serves a congested area which includes 40% of the population of Japan, 70% of its industry, 25% of its agriculture and all of its cities with a population of over one million.



March 3-4, 1966  
Gordon M. Street  
Palm Springs, Calif  
Intl Conf. on Dairy  
Business with Japan  
as delivered

Paper I -- World Bank Financing in Japan

Ledni

Gentlemen:

1. I am very grateful for ~~giving me~~ <sup>show</sup> the opportunity to participate in this international conference. <sup>my business will be all as</sup> The World Bank Group has been doing business with Japan since 1952, <sup>Japan</sup> when ~~she~~ became a member of the Bank. <sup>that you</sup>

~~This was a year after the country's economy was restored to pre-war levels and set on the road to achieve what has come to be known as the Japanese "miracle".~~

2. Before <sup>discussing over questions</sup> ~~explaining~~ World Bank financing in Japan, let me briefly describe the World Bank Group of institutions. The Group consists of three institutions which share the common purpose of assisting economic development in member countries. The largest unit of the Group is the World Bank itself. Its 103 members have put up <sup>the</sup> subscribed capital of \$22 billion, one-tenth of which is actually paid-in. <sup>the balance of its funds for operations come from</sup> It makes long-term development loans at conventional interest rates. <sup>totaling 9 billion</sup> Since the start of its operations in 1946, the Bank has made loans in 77 countries, <sup>including Japan.</sup> ~~totaling \$9 billion.~~

3. The older of the Bank's two affiliates, ~~is~~ the International Finance Corporation, ~~which~~ now has 81 members. The Corporation works exclusively

in the private sector. So far it has committed some \$150 million for the development of productive private enterprises in 34 countries.

4. The other affiliate, the International Development Association, was established in 1960. It promotes economic development in countries not ~~fully~~ able to ~~bear the burden of~~ <sup>service</sup> loans made on conventional terms.

Its credits are made at very long term and free of interest. So far it has lent \$1,192 million in 30 of its 96 member countries.

*Neither the International Development Association nor the International Finance Corporation have any operations in Japan; \* \* \**

5. ~~In the past 14 years~~ Japan has played a significant role <sup>as</sup> a member of the Bank: it has made capital available to the Bank and its two affiliates, and has been an important source of procurement for

projects financed by the Bank and the Association in other member countries. Japan has made more use of World Bank financing than any other

country except India. As of December 31, 1965, Japan has received 30

loans totaling \$757 million for the development of industry, electric power, transport and agriculture.

*Loans have ranged in term from 13 to 26 years and carried interest rates ranging from 4 1/2% to 6 1/2%.*

6. The prime mover of Japan's fast economic growth, ~~as you are all~~

~~aware~~, has been the extremely high level of investment ~~in directly pro-~~  
~~ductive activities~~ in the private sector. By far the greater part of

private investment has been devoted to the expansion of industries, especially of the heavy and chemical industries. ~~The results have been~~

~~amazing.~~ <sup>be</sup> ~~Industrial production since the beginning of the fifties has~~  
~~been extremely rapid, leading to a doubling of output every five or six~~

~~years.~~ Today Japan is among the largest industrial producers of the world.



7. We in the World Bank are ~~particularly~~ <sup>have a great</sup> proud to have been partners in this ~~great industrial upsurge~~ <sup>4/5</sup>. Eleven of the Bank's loans, totaling \$163 million ~~have~~ <sup>since</sup> assisted the modernization and expansion programs of ~~some~~ <sup>of</sup> Japan's steel companies: the Yawata Iron and Steel Company, the Japan Steel and Tube Corporation, the Kawasaki Steel Corporation, the Sumitomo Metal Industries, the Kobe Steel Works, and the Fuji Iron and Steel Company. These loans were made ~~at a time when the need for in-~~ <sup>in the late fifties</sup> ~~flow of capital was acute and when the Japanese companies were finding it~~ ~~difficult, for one reason or another, to resort to self-financing on a~~ <sup>could not</sup> ~~big scale.~~ <sup>propose without the Bank's help and Japan's need for external capital was acute.</sup> All the works financed with the assistance of our loans have been completed and ~~they~~ have led to marked modernization of the steel industry.

8. Continuous and heavy investment to enlarge the country's electrical generating capacity ~~has been needed in the period following the war~~ <sup>was</sup> to keep pace with growing demands of Japanese industry. In fact, the Bank's first three loans in Japan, made in 1953, were for electric power development. In all, the Bank has lent over \$175 million to finance ~~urgently needed~~ hydroelectric and thermoelectric power projects designed to add over 1.6 million kilowatts to generating capacity.

9. Development of transportation in Japan -- highways and railways -- has accounted for \$410 million or over 54% of all Bank lending in Japan. In the past five years, ~~Bank lending~~ <sup>low</sup> for this purpose in ~~Japan~~ has averaged \$82 million a year, and supplemented the Government's investment program in the transport sector, ~~which during the 1950's has been lagging~~.

~~severely behind the general increase in production capacity. I will deal with this subject in a more detailed manner in my forthcoming paper on the need for expanding public works programs to promote effective functioning of Japan's manufacturing and distribution systems. I just wish to point out how expected benefits have been realized in some of the Bank-financed transportation projects.~~ <sup>in the</sup> ~~transportation projects.~~ <sup>sector.</sup> The Bank has lent \$280 million to help finance the construction of the 335-mile toll expressway between Tokyo and Kobe. Some of the sections of this expressway have already been opened for traffic and have helped to reduce travel time and transport costs. This is also true of the new Tokaido line <sup>built by the Japanese National Railways</sup> toward which the Bank made a loan of \$80 million. <sup>We have also put \$25 each in the Tokyo and Osaka sewerage systems.</sup>

10. ~~Japan's population of almost 100 million lives in a relatively small area, but by intensive cultivation, the country produces a substantial part of the food it needs.~~ <sup>our investment in the agricultural field has been substantial.</sup> A Bank loan, of \$4.1 million, made in 1956, assisted the Agricultural Land Development Machinery Corporation in carrying out several pilot land reclamation projects in remote areas, mostly ~~on the islands of Hokkaido and Honshu,~~ <sup>in the islands of Hokkaido and Honshu,</sup> and financed the import of about 8,000 head of Jersey breeding cattle for use on existing farms and on the new settlements in the reclaimed areas. With another loan of \$4.9 million, the Bank supported a project in the Aichi region of central Japan, <sup>designed to</sup> ~~which will eventually~~ irrigate more than 30,000 farms, supply drinking water for many towns and villages, increase the supply of water for industrial use ~~in~~ <sup>for</sup> three cities, and provide 10,000 kilowatts of electric power.

\* \* \*

I am pleased to say that we have had relatively few problems in connection with our operation in Japan. The projects have been carefully planned and carried out efficiently by the executing agencies.



11. The business between Japan and the World Bank Group has been beneficial to both. On her part, Japan has subscribed to the capital of the Bank. Her subscription is \$666 million. Like all other members, Japan has paid in only one-tenth of this amount. Japan's initial subscriptions to IDA amounts to \$33.6 million. In addition, Japan is contributing \$41.25 million, as her share of the replenishment of IDA's resources, ~~by~~ <sup>is being sought</sup> ~~by~~ <sup>Japan</sup> about \$750 million through contributions from the economically advanced member countries. ~~She~~ <sup>Japan</sup> has been a member of the Bank-sponsored Consortia to coordinate assistance to India and Pakistan. ~~Japan has also provided funds for Bank lending in another way:~~ <sup>also</sup> Japanese investors have bought Bank bonds and portions of Bank loans.

12. On the supply side, Japanese industry has ~~been increasingly~~ <sup>ed</sup> ~~successful in~~ obtaining export orders for goods and services required to carry out Bank financed projects in other countries. Total expenditures by Bank borrowers in Japan up to the end of December 1965 were \$190 million -- ~~nearly three times its paid-in subscription.~~ Goods and services supplied by Japanese companies have been of wide variety; but in particular Japanese suppliers have ~~competed very strongly for orders connected with the~~ <sup>been</sup> ~~involved in~~ <sup>involved in</sup> execution of projects for the development of railways and power. For instance, Japanese suppliers have participated in railway projects in India, Pakistan and Thailand; power projects in El Salvador, Colombia and the Philippines; and a telecommunications project in Ethiopia.

13. Japan's share in the disbursements of IDA is also sizeable. The cumulative total of such disbursements in Japan amounted to \$79.6 million by December 1965.

14. Japanese industry has also been the beneficiary of the Bank loans made in Japan. The Bank's policy is that its borrowers should obtain their supplies on the basis of the widest feasible international competition among suppliers in the member countries and Switzerland. Some of the early Bank loans to Japan helped to finance <sup>the</sup> import of equipment. However, with Japan's expansion of industrial capacity and the improvement in international competitiveness in a long line of Japanese products, <sup>Japanese suppliers had successfully to a great extent</sup> she was able to procure internally the bulk of the equipment and services needed to carry out Bank-financed projects in Japan. <sup>was procured locally</sup> The resulting benefits to Japanese industry have been impressive. Up to December 1965, the Bank had disbursed some \$522 million under its 30 loans in Japan. A very substantial part of this amount was for expenditures in ~~year~~ Japan, <sup>we have been supplying</sup>

covering the other number under the same heading

~~Our problem with Japan are relatively few and quite in complexity. The planning and execution of projects does not present any problems. The Japanese are excellent in the respect, in other countries adopt technical & economic under the leadership of projects. <sup>we do not know how to go on, we do not know how to do it in Japan.</sup>~~

~~broken up into a problem of <sup>an increasing</sup> <sup>in recent years</sup> <sup>generally</sup> <sup>substantially</sup> <sup>to</sup> <sup>be</sup> <sup>used</sup> <sup>with</sup> <sup>for</sup> <sup>Bank</sup> <sup>loans</sup>, 1960-61. - came well in 1963 <sup>we</sup> <sup>could</sup> <sup>not</sup> <sup>borrow</sup> <sup>as</sup> <sup>much</sup> <sup>as</sup> <sup>we</sup> <sup>expected</sup>. Now <sup>we</sup> <sup>are</sup> <sup>again</sup> <sup>planning</sup> <sup>to</sup> <sup>phase</sup> <sup>out</sup> <sup>from</sup> <sup>our</sup> <sup>expectations</sup> <sup>to</sup> <sup>what</sup> <sup>is</sup> <sup>the</sup> <sup>economic</sup> <sup>situation</sup> <sup>should</sup> <sup>be</sup> <sup>different</sup> <sup>very</sup> <sup>much</sup>.~~

I am pleased to <sup>note</sup> ~~say~~ that we have had relatively few problems in connection with our operations in Japan, the projects have been planned <sup>carefully</sup> and executed efficiently.



I do not have much to add but I would like to one point.

Paper II -- The need for expanding public works programs to promote effective functioning of its manufacturing and distribution systems. Increasing urbanization as a factor in public works planning. Relative importance of transportation, communications, water conservation and distribution, sanitation works and facilities for medical care, education and recreation.

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Gentlemen:

As Mr. Carey pointed out this morning

1. The strategy of Japan's recent economic growth has been the massive investment in modern industrial facilities. It has paid rich dividends on the domestic front. The results are equally amazing on the external front. Japan's export performance in the past couple of years has surpassed even the most optimistic expectations of experts both in and outside the country. This is due in part to the fact that world trade ~~has~~ <sup>has</sup> increased very substantially. But the more important reason, ~~in my mind,~~ <sup>seems to be</sup> is the enormous investments and technological innovations in industry, which improved Japan's international competitiveness in a long line of products.

2. Now the problem before Japan is to maintain and improve the international competitiveness of industry. The problem has become particularly urgent since the government shifted to an open-door economy in 1964. Recent Government policy lays considerable stress on the need for improvements in techniques and productivity of individual enterprises, rationalization of management, sound financing, expansion of public facilities for industrial use, better utilization of labor force, and improvements in working conditions.

3. It is in this context I <sup>would like</sup> propose to discuss the pattern of infrastructure investments in Japan. For a number of years, economists, both in Japan and abroad, have expressed fears that the expansion of the private sector, the cornerstone of Japan's success, will eventually have to slow down unless <sup>the</sup> ~~public sector~~ investment in public works such as transport ~~etc.~~, and the social infrastructure can be speeded up -- a fear shared by <sup>the</sup> ~~your~~ government, ~~which~~ has already initiated measures to rectify the position.

4. A significant recent development has been the rapid increase in government capital expenditure for <sup>public works</sup> ~~infrastructure investment~~. Total investment in the public sector has gone up from around 8 per cent <sup>of</sup> GNP in the late 1950's to <sup>~ 12</sup> 11.5 per cent in <sup>recent years</sup> 1964. The Government's efforts are directed toward catching up with the accumulated arrears and keeping pace with further growth of the economy. It is clear that deficiencies in the transport field could lead to acute marketing difficulties, higher distribution costs and even curtailment of production.



5. There is scarcely any doubt that the intensity of utilization of the transport network in Japan is much higher than in ~~many~~ <sup>most</sup> other countries. Less than 20 per cent of Japan's road network of 94,000 miles is paved. Most roads, even national highways, are narrow and winding ~~with little or no shoulder~~. Traffic normally operates under congested conditions and as a consequence vehicle operating costs are high. ~~The number of motor vehicles has~~ <sup>The situation is getting worse with increasing motor vehicles on the roads</sup> ~~reached~~ <sup>now</sup> 6.8 million, representing a five-fold increase in the past decade. ~~The Japanese Government has~~ <sup>the help of the government</sup> embarked on a five-year expansion program of highway construction, which is estimated to cost the equivalent of over \$11 billion.

Example Monday

6. The World Bank has so far lent \$410 million for development of transportation in Japan. Of this amount, \$280 million is helping to finance the construction of the 335-mile toll expressway between Tokyo and Kobe. The western end of the expressway, extending 114 miles from Kobe to Nagoya is already open for traffic, and ~~is~~ <sup>the expressway</sup> is scheduled to be opened over its entire length in early 1969. It will alleviate traffic congestion in the Tokaido region, one of the greatest concentrations of industry and population in the world. The most important economic benefits ~~of the expressway~~ <sup>will be</sup> are reduced transport costs and time savings.

of Tuesday had a deal done with the in adequacy of the highway system

7. Japan's efficiently operated railway network is dense, and carries heavy traffic. Main lines are utilized <sup>to</sup> saturation point. The new Tokaido Line has relieved <sup>somewhat</sup> the pressure between Tokyo and Kobe. A Bank loan, of \$80 million, to the Japanese National Railways, helped to finance the construction of the new line, which provides the fastest service in the world. The project is the result of Japanese genius,



from planning to execution, and the World Bank and the world in general have learnt a lot from this. <sup>the railway is now planning</sup> ~~I gather that the line is going~~ <sup>to be extended to Okayama.</sup> ~~to be extended to Okayama.~~

8. Concentrated investment and rapid growth in industry has led to a high rate of urbanization in Japan. As we have found in other developed countries of the world, a high degree of urbanization makes great demands on the transportation and communications systems, partly for the movement of people to their work and the distribution of the raw materials to, and finished products from, the factories, but also to mitigate the rigors of urban life for the growing populations of the industrial cities. Two other Bank loans for road development are helping to meet these ~~additional needs for transportation.~~ For instance, a loan of \$25 million is financing the construction of an <sup>elevated</sup> expressway from Haneda to Yokohama. This region is one of the most densely populated and heavily industrialized <sup>help to</sup> in the world. The new expressway will relieve the severe congestion in city streets between Tokyo and Yokohama and sharply reduce vehicle operating costs and travel time. Similar benefits will accrue from the <sup>elevated</sup> ~~roll~~ expressway being constructed in Kobe, with the assistance of a Bank loan of \$25 million.

9. The Government's plans similarly call for larger investments to improve and expand housing, telecommunications, <sup>and other public</sup> ~~and~~ and <sup>health</sup> education. We have not had occasion to examine ~~some of~~ these problems. But we have no reason to doubt the judgment of the Japanese authorities that all these steps are necessary, not merely to make up for past arrears,

port water supply.



but to improve the quality of living of the people. Improved education, better housing and environmental facilities are important aspects of human resources development. In pure economic terms, they contribute toward improving the working capacity of the people and thus assist economic growth.



Mr. Gordon Street

April 11, 1968

S. Sankaran

Speech Before ECAFE Session in Canberra, Australia (April 17-30)  
Duration about 20 minutes

Here is a revised draft of your speech before the ECAFE session. I have incorporated a number of your suggestions. Mr. Frank O'Brien, Chief of IFC Information Services, corroborates what I told you the other day -- that IFC would be very happy to be mentioned in your speech at ECAFE. I must also add that Bank representatives at ECAFE and Colombo Plan Meetings have always included IFC in their presentations. I am sending Mr. O'Brien a copy of your speech with the request that he should forward to you his comments, if any.

Re: Indian debt rescheduling (Page 5): So far we have remained silent about the amount involved in this exercise. The text was supplied by the India desk. If this is OK with your Department it is OK with us.

I am sending herewith the following documents:

Bank-IDA and IFC Annual Reports.

Speech by Mr. Woods before UNCTAD II.

Policy Statement on the Bank's interest rate.

Latest Facts Sheets on Bank, IDA and IFC.

Monthly Operational Summary of proposed Bank and IDA projects -- Asia and the Middle East.

Attachments

SS:smh

cc: Mr. O'Brien  
Mrs. Eliason (2) ✓  
Mr. Homs



Mr. Gordon Street's Speech Before the

ECAFE Session in Canberra, Australia

April 17-30, 1968

Mr. Chairman and Delegates:

I am particularly happy to have the opportunity to represent the World Bank Group at this session of the Economic Commission for Asia and the Far East. It has been our privilege to participate in these meetings over a long period of time. These meetings have provided us with welcome opportunities to exchange ideas and gain valuable experience.

I should also like to express my appreciation of the excellent arrangements made by our hosts for these meetings.

\* \* \* \* \*

Let me first refer to a project, of common concern to ECAFE and the Bank, that is on the horizon -- the replenishment of the resources of the Bank's soft-lending affiliate, the International Development Association, or IDA as it is better known. By December 1967, IDA had extended credits totaling \$1,713 million to help finance development projects in 38 of its 98 member countries. ECAFE countries are the principal recipients of interest-free money from IDA. These commitments had virtually exhausted all usable resources available to the Association and negotiations were being actively conducted for their replenishment.

Last month, the Executive Directors of IDA recommended and transmitted to member governments for approval a proposal for the second replenishment of IDA's resources by \$1,200 million. The first replenishment, agreed in 1964, amounted to \$750 million.



Eighteen member countries, plus Switzerland, propose making available to IDA \$400 million annually for three years. The proposal, if accepted, would enable IDA to increase its commitments by an average of 60 per cent annually over the level which the first replenishment was designed to achieve.

\* \* \* \* \*

Like other institutions, the Bank encountered money-raising problems in 1967. Competing demands for capital in the developed countries made it more difficult and more costly to obtain finance by borrowing. The cost of funds obtained in capital markets moved upwards. In 1967, the average interest cost on all Bank issues was 5.56 per cent, as compared with 5.46 per cent in the previous year. During calendar 1967, the Bank continued to make new loans in the less developed countries at the 6 per cent rate adopted in February 1966, though the question of interest rate in this period of rising cost of new borrowings was under review.

Toward the end of 1967, the Bank established a policy for determining appropriate adjustments -- up or down -- of the Bank's lending rate in the future. The Bank's policy recognizes that the rate should be kept as low as is compatible with the maintenance of the Bank's ability to raise in the capital markets of its members, or otherwise borrow, the funds it needs. In order to maintain the Bank's reputation and financial strength on which its ability to raise the funds it needs depends, the Bank must pay regard to such criteria as the trend of the Bank's earnings; the maintenance of an adequate ratio of its earnings to its interest requirements; the maintenance of a reasonable rate of return on its capital and reserves; and the accumulation of adequate reserves. Early in 1968 the rate on Bank loans was raised to 6-1/4 per cent.

\* \* \* \* \*



Of particular concern to all engaged in the development field is the failure of food production in many countries to keep pace with the growing population and rising standards of nutrition. A high proportion of employment in many developing countries is generated in the agricultural sector, and the export earnings in a number of countries are almost entirely dependent on it. The failure in the agricultural sector has acted as a severe constraint on the economic development of many developing countries.

I am, however, happy to say that there is a growing realization that a satisfactory rate of development can be achieved only through more rapid improvements in agricultural techniques and organization. The World Bank and its affiliate, the International Finance Corporation (IFC), are conducting discussions looking toward an effective contribution by industry to bring about a decisive improvement in food production through projects for the manufacture and distribution of chemical developing countries.

Last June, IFC announced the completion of financing arrangements for a \$83 million fertilizer plant in India. IFC's commitment in the project is over \$11 million. The plant will help meet India's critical need for more fertilizer to increase domestic food production; it will also benefit the Indian balance of payments through net foreign exchange savings estimated at between \$25 to \$30 million annually. The Bank and IFC are actively considering participation in two major fertilizer projects in Pakistan.

\* \* \* \* \*

The Bank and its affiliates have been particularly active in countries of this region. In 1967, ECAFE countries accounted for some 40 per cent of the Group's commitments. Bank loans, IDA credits and IFC investments in the region totaled \$282 million. In all, the three institutions have committed



over \$5,300 million to help finance development projects in Afghanistan, Australia, Burma, Ceylon, China (Taiwan), India, Iran, Japan, Korea, Malaysia, New Zealand, Pakistan, the Philippines, Singapore and Thailand.

In addition, the Bank provides to member countries a wide variety of technical assistance services not immediately connected with loan operations. In Pakistan, for instance, the Bank provided finance to help continue for three years the assistance given by the Development Advisory Service of Harvard University to the Planning Commission of Pakistan and the two provincial Planning Departments. From January 1, 1968 the financing of this technical assistance was taken over by the UN Development Programme (UNDP) with the Bank acting as Executing Agency.

In Ceylon, the Bank is helping to finance a study looking toward improvements in highway planning and road maintenance. In Malaysia, the Bank is acting as Executing Agency for a transport survey financed by the UNDP.

\* \* \* \* \*

Delegates are well aware of the role of the World Bank in coordinating development assistance to particular countries from different sources. We have organized eleven consortia or consultative groups to coordinate development assistance to as many countries. Five of them are for countries in the region -- India, Pakistan, Korea, Malaysia and Thailand. On a less formal basis, a group of countries interested in Ceylon has met under Bank chairmanship since 1965. Since 1966, the Bank has been attending, as an observer, meetings of Indonesia's creditor countries to consider, among other things, the debt situation of the country. In addition, the Bank has also been attending meetings of the Inter-Governmental Group, sponsored by the Netherlands Government, to provide financial assistance to Indonesia.



The chief development in the field of aid coordination in 1967 was the role of, and the heavy burden placed upon the India Consortium. Consortium members have already committed, or are negotiating agreements to provide aid for project, food and non-project purposes for the year 1967/68. We are planning to hold a meeting of the India Consortium next month to discuss recent economic developments in the country and to assess the level of assistance required for the Indian fiscal year 1968/69.

The India Consortium has for the last year been very much concerned with the terms of aid to India. The servicing of debt has only recently become acute since the bulk of foreign aid to India was not made available until the 1960's. The problem is complicated by the fact that some donors offer "aid" in the form of suppliers' credits which really do not represent aid in the true sense of the word.

During the last several months the emphasis of the Consortium has been on the question of rescheduling or refinancing payments due on loans made in the past. The World Bank is confident that an agreement will be reached which will result in the rescheduling of about \$100 million of payments due in each of the next three years. Indeed it may be that since I left Washington to attend this conference final agreement has been reached.

The Pakistan Consortium is also due to meet next month to examine the levels of assistance appropriate for the Consortium to provide during the Pakistan fiscal year 1968/69.

In another role, the Bank is acting as coordinator of financial assistance from a number of sources for particularly large development projects. One such instance pertains to the development of the Indus Basin in West Pakistan. The Bank is the Administrator of the Indus Basin Development Fund of some



\$1,200 million contributed by eight countries and IDA. The construction of the Mangla Dam, together with the associated complex of barrages, canals and other works was financed by the Fund.

The Indus Fund also financed the cost of a study of the water and power resources of West Pakistan. This study was carried out in two parts. The first part, completed early in 1965, dealt with the proposal of building a dam on the Indus at Tarbela and found the project to be technically feasible and economically justified. The second part, completed in July 1967, not only endorsed the high priority of the Tarbela project, but constituted a comprehensive analysis of West Pakistan's water and power sectors to provide the Government with a basis for development planning in these sectors within the framework of successive Five-Year Plans.

Last month, representatives of the Governments of Canada, France, Italy, Pakistan, the United Kingdom and the United States met under the chairmanship of the Bank and reached accord on the terms of an agreement providing for the setting up of a fund to finance the cost of constructing the Tarbela project. The World Bank is also expected to provide financing for the project and to act as Administrator of the Fund.

The total costs of the Tarbela Dam are estimated to be about \$827 million, with a foreign exchange component of \$492 million. The Government of Pakistan will provide the local currency costs. A large part of the foreign exchange costs, about \$324 million, will be financed by a carry-over from the Indus Basin Development Fund. Canada, France, Italy, the United Kingdom, and the United States have promised, subject to any necessary governmental and parliamentary action, to make contributions towards financing expenditures on the project.



The Ceylon Aid Group, which met last month, was encouraged by the continued progress made by the Government in recent months in overcoming basic economic obstacles to economic growth. In particular the Group welcomed the increases in agricultural and industrial production, although it recognized that continued declines in the prices of Ceylon's principal exports had hindered growth. Preliminary indications by members of the Group of their intentions during the rest of 1968, together with aid from earlier commitments, suggest that Ceylon can expect a higher level of aided imports during 1968 than in 1967. Ceylon will shortly have a number of projects ready for financing. It is expected that some of the projects will be suitable for Bank or IDA financing.

In regard to Indonesia, the Bank has been closely associated with the Government and the Inter-Governmental Group in efforts to rehabilitate and develop the Indonesian economy. A report on the economy of Indonesia, prepared by Bank staff, provided the basis for discussions at the meetings of the Group to consider financial assistance to that country. We are seconding a staff member to assist Indonesian authorities in the identification and preparation of development projects. At the moment, IDA is considering a project for the rehabilitation of irrigation facilities.

\* \* \* \* \*

Stabilization of primary commodity markets will continue to be a major objective of international policy. Exports, especially of primary products, are the chief source of foreign exchange for development in the less developed countries. Even a slight setback in the primary commodity sector can act as a major constraint on development.

At their Annual Meetings in September 1967, the Board of Governors of the Bank and the International Monetary Fund adopted resolutions requesting the two institutions to carry out a study of the problem of stabilizing prices of primary products, and the possible role each institution might play in finding solutions to that problem. The study is in progress.

The staff of the Bank had earlier completed a study on "Supplementary Financial Measures" for the UN Conference on Trade and Development. The study contemplates a scheme under which supplementary finance would be provided to support development programs that would otherwise be disrupted by the failure of export earnings to come up to expectations.

\* \* \* \* \*

The World Bank Group has a very cordial and constructive relationship with the Asian Development Bank. We have recently reached agreement with ADB and two other regional development banks on the coordination of the collection and processing of external debt data by the World Bank on behalf of the four. I wish to add that the World Bank is ready to consider joint financing of well conceived projects, regional or otherwise.

\* \* \* \* \*



WORLD BANK GROUP COMMITMENTS IN THE ECAFE REGION

(Amount as of December 31, 1967  
in millions of U.S. dollars)

<u>Country</u>	<u>Bank Loans</u>	<u>IDA Credits</u>	<u>IFC Invest- ment Commitments</u>	<u>Total</u>
Afghanistan	--	3.5	--	3.5
Australia	417.73	--	0.97	418.70
Burma	33.10	--	--	33.10
Ceylon	41.30	--	--	41.30
China (Taiwan)	86.74	13.08	--	99.82
India	1,016.43	889.14	23.39	1,928.96
Iran	310.05	--	0.30	310.35
Japan	857.04	--	--	857.04
Korea	--	24.99	--	24.99
Malaysia	180.50	--	6.32	186.82
New Zealand	102.11	--	--	102.11
Pakistan	460.12	330.97	17.81	808.90
Philippines	146.53	--	16.35	162.88
Singapore	72.20	--	--	72.20
Thailand	264.82	--	0.49	265.31
<b>Totals</b>	<b>3,988.67</b>	<b>1,261.68</b>	<b>65.63</b>	<b>5,315.98</b>

The following table summarizes the Group's commitments in the ECAFE Region in Calendar 1967:

a) World Bank Loans

<u>Country</u>	<u>Purpose</u>	<u>Amount in U.S. Dollars</u>
China (Taiwan)	Fishing Vessels	14,400,000
China (Taiwan)	Telecommunications	17,000,000
China (Taiwan)	Development Finance Company	15,000,000
Ceylon	Development Finance Company	4,000,000
India	Development Finance Company	25,000,000
Iran	Agriculture	22,000,000
Malaysia	Irrigation	10,000,000
Pakistan	Electric Power	21,500,000
Pakistan	Railways	13,500,000
Pakistan	Development Finance Company	35,000,000
Philippines	Electric Power	12,000,000
Singapore	Electric Power and Water	23,000,000
Singapore	Telecommunications	3,000,000
Thailand	Agriculture	26,000,000
Thailand	Electric Power	<u>5,000,000</u>
	Total	<u>246,400,000</u>



b) IDA Credits

<u>Country</u>	<u>Purpose</u>	<u>Amount in U.S. Dollars</u>
Korea	Railways	11,000,000
Pakistan	Water Supply	<u>1,750,000</u>
	Total	<u>15,750,000</u>

c) IFC Investment Commitments

<u>Country</u>	<u>Type of Project</u>	<u>Amount in U.S. Dollars</u>
India	Fertilizer	11,500,000
Malaysia	Steel	3,470,000
Pakistan	Pulp and Paper	<u>5,200,000</u>
	Total	<u>20,170,000</u>



Mr. Gordon Street

April 12, 1968

S. Sankaran

ECAFE Speech

I am sending herewith a paragraph on development finance companies to be added to your speech. I am also suggesting an amendment to par. three on page three to bring to focus the role of IFC in fertilizer production.

SS:mmh

cc: Mr. O'Brien  
Mrs. Eliason (2) ✓  
Mr. Homs



IFC takes the lead for the World Bank Group in encouraging the establishment and expansion of national development finance companies on sound lines. These companies perform a variety of functions designed to stimulate economic development, including the provision of medium and long-term loans and equity capital for local industry and other private enterprise, underwriting activities, the promotion of new enterprises, and assistance to entrepreneurs in preparing investment proposals.

In all the Bank and its affiliates are associated with 27 development finance companies in 23 countries, including Ceylon, China, India, Iran, Korea, Malaysia, Pakistan, the Philippines and Thailand.

\* \* \* \* \*

Please amend par. three, page three, of my draft to read as follows:

"During the fiscal year 1966/67, more than half of IFC's investments were for fertilizer production in India, Brazil and Senegal. In India, IFC is assisting an \$83 million fertilizer plant, which will help meet India's critical need for more fertilizer to increase domestic food production. The plant is also expected to benefit the Indian balance of payments through net foreign exchange savings estimated at between \$25 to \$30 million annually. The Bank and IFC are actively considering participation in two major fertilizer projects in Pakistan."

cc: Mr. O'Brien  
Mrs. Eliason (2)  
Mr. Homsí



Mr. Gordon M. Street

April 1, 1969

Dinesh Bahl

ECAFE Speech (Singapore, 15-18 April, 1969)

Attached is a copy of your ECAFE speech.

Attachment

DB:mah

cc: Mr. Grenfell

Mrs. Eliason ✓

4/2/69 - sent draft of introduction:

It is a pleasure for me to represent the World Bank Group at this session of the Economic Commission for Asia and the Far East. It has been our privilege to participate in these meetings over a long period of time. They have always given us a welcome opportunity to exchange ideas and gain valuable experience.

I should also like to express my appreciation of the excellent arrangements our hosts have made for this occasion.



The past few months have been a period of increasing activity for the World Bank Group in the ECAFE region. During our last fiscal year, which ended in June 1968, the Group as a whole committed about \$295 million for investment in the area. But in the current fiscal year, although only nine months are gone so far, we have already done much more -- with investment commitments amounting to almost \$390 million. The cumulative total of our investment commitments in the ECAFE region now comes to over \$5.7 billion. That figure represents about 40% of the cumulative total of our commitments all over the world.

The Bank Group's increasing activity in the ECAFE region is part of a pattern under which we hope greatly to expand our lending over the next few years in the underdeveloped areas of the world generally. A few simple facts might help to clarify just how great the expansion is likely to be. During the past five years, the Bank Group as a whole has lent more than \$1 billion each year on average for economic development projects in the Third World. Over the next five years, we hope to lend twice as much. That is another way of saying that in the five years to the middle of 1973, we expect to lend almost as much money as we did in the first 22 years of the Bank's history. And we intend to do so without relaxing in any way the high standards of project appraisal and supervision that have been established over the years.

Far and away the largest proportion of our lending so far has been for projects designed to strengthen the infrastructure of an economy. Thus, almost a third of the investment has been in electric power. Another third has been devoted to expanding and improving transportation facilities. Investments of this nature are vital to economic growth, so we intend to



continue, and even increase, them. But there are three sectors, in particular, in which we propose to become much more active.

The first of these is agriculture. We hope that, over the next five years, we will put four times as much money into agricultural development as we have done in the last five years. The second sector is education: it is our intention that our lending there, on a similar comparison, should treble. Finally, there is the relatively new field of population control: for the first time in its history, the Bank Group is now prepared to offer financial and other assistance for sound and well-conceived projects designed to check the growth of population.

The results of these intentions have already begun to show in our activities over the last few months. For instance, since July last year, we have provided about \$150 million for 15 agricultural projects in various parts of the world; this represents more than one-tenth of all our agricultural lending so far. There are another 100 or so agricultural projects in the pipeline, of which nearly half are at the stage of appraisal or negotiation. In the case of education, the story is not dissimilar. Since July last, we have invested over \$30 million in five education projects. Well over 30 projects are in the pipeline, some of which are now being appraised or negotiated.

The rapid increase in our activities presupposes, of course, that we will be able to raise much more money than we did before. In this context, it might be of some interest that already, in the nine months since July, the Bank has raised more than \$1 billion from the capital markets of the world. That \$1 billion is more than 2-1/2 times as much as it raised in the comparable period of the previous fiscal year. The situation concerning the International Development Association is also better than it was a few months ago.



Several countries have made advance contributions ahead of the Second Replenishment Agreement becoming effective, with the result that IDA has been able to increase its lending activity in recent months. Ratification by the United States is now awaited to make the Agreement fully effective. IDA's lending operations have in past years been of particular interest to the countries of the ECAFE region.

The conclusion to be drawn from all this is mainly one: the World Bank Group is not and will not be afflicted by the malaise surrounding the development effort in some parts of the world. On the contrary, we intend to play a much more vigorous role in promoting what we believe to be the most constructive and most ambitious of endeavours undertaken in the history of mankind -- helping to raise the living standards of half the human race.



filed speech BK - Street.

Mr. Gordon Street's Speech Before the  
ECAFE Session in Bangkok, Thailand

April 14-17, 1970

Mr. Chairman and Fellow Delegates:

It is a great pleasure for me to represent the World Bank Group at this session of the Economic Commission for Asia and the Far East.

I should also like to express my thanks to our hosts, the Government of Thailand, and the ECAFE Secretariat for the excellent arrangements for this meeting.

I am very happy to report that the Group is moving ahead with its policy of increased support to economic development. Our last fiscal year, which ended on June 30, 1969, was the most active in the history of the World Bank and its two affiliates, the International Development Association and the International Finance Corporation. Our commitments in Asia and the Far East reached a new peak.

Here are some figures. New loans, credits and investments from the Bank Group totaled \$1,877 million in fiscal year 1969 -- an increase of 87% over the previous year's total of \$1,003 million.

The Group's commitments in the ECAFE region totaled \$842 million in 1969 as against \$295 million in the previous year -- an increase of 186%. Asia and the Far East continued to be the largest single regional recipient of assistance from the Group. There is a growing trend in our activities in the less developed world in general and the ECAFE region in particular.

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The expansion of the Bank's lending program over the years ahead entails a rising borrowing requirement. We are seeking to satisfy this requirement



by broadening still further the market for the Bank's obligations. We have just tapped yet another new source of funds -- Japan. The Bank of Japan has made two loans totaling the equivalent of \$200 million to the World Bank. We are grateful to the Bank of Japan and the Government of Japan for enabling us to borrow in Japan.

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The debt-servicing problems facing a number of developing countries has once again underlined the need for providing a greater volume of development assistance on concessional terms. IDA is the special instrument in the Bank Group for this purpose. This region has been the major beneficiary of IDA assistance.

We have already started negotiations with the richer member countries of IDA, generally known as the Part I countries, on the subject of the Third Replenishment of the Association's resources. As you know, the Second Replenishment, amounting to \$1,200 million, became effective in July last. IDA's resources, including the Second Replenishment, will be committed by June 30, 1971. To ensure continued operations thereafter, the Third Replenishment will have to become effective by that date.

At present it is difficult for me to give an indication about the size of the Third Replenishment. However, I wish to draw the attention of the delegates to the fact that the Commission on International Development, headed by Lester Pearson of Canada, recommended that additional resources to IDA should be provided at the rate of \$1,000 million a year by 1972, rising to \$1,500 million a year by 1975. We in the World Bank are particularly pleased to note that this recommendation has been specifically endorsed by President Nixon's Task Force on International Development headed by Rudolph Peterson.

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The Bank has also taken steps to augment the resources of IFC, the Bank's affiliate that specializes in promoting the growth of productive private sector in the economies of its developing member countries. In December 1969, the Bank agreed to lend IFC an additional \$100 million to provide funds for the Corporation's lending operations. IFC is giving increased emphasis to identification of projects and has begun to invest funds to bring them beyond the planning stage. The Corporation is willing to help to establish, support and strengthen savings banks and other institutions that can mobilize domestic savings for economic development. It will also assist the development, where appropriate of orderly markets for securities, such as mutual funds and stock exchanges. IFC and the newly established Private Investment Company for Asia are considering several investment proposals.

The Bank has also set up a new Industrial Projects Department for the purpose of expanding Bank lending in the industrial sector and for making practical recommendations to the developing countries as to how best they can accelerate their industrial growth.

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Apart from the Industrial Projects Department, we have established a Special Projects Department to deal specifically with inter-sectoral and multipurpose projects in fields such as the use of water resources. The current preoccupation of a special unit of this Department is a study of projects for developing the resources of the Mekong Basin. We are working closely with other interested parties, the four riparian Powers, the Mekong Committee and some of the nations on whom the financing will in part depend. We also plan to establish in Bangkok a technical mission to maintain liaison



with the Mekong Secretariat, the consultants and planning agencies of the governments concerned. It will take, as you know, a number of years and billions of dollars to carry forward the development of the Mekong Basin. But we are very pleased to be associated with it.

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Our experience over the years has convinced us that there are immense opportunities in the developing countries for high-priority, economically sound investment. At the same time, we know that the complexities of development are such that money alone cannot solve them. What is required is a more effective overall development strategy. The new emphasis we are giving to population planning, educational advance, agricultural growth, problems of unemployment and urbanization represents a step in that direction.