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Fonds: Records of the Office of the President

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McNamara papers

Contracts
Australia (1968-1979)

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Contacts with member countries: Australia - Correspondence 01

AUSTRALIA

AUSTRALIA

- 5/27/68 Prime Minister Gorton - at Blair House
1. 10/3/68 William McMahon, Minister of Finance
Sir Richard Randall, Secretary to the Treasury
G.A. Low, Minister Financial, Embassy
- 7/18/69 Geoffery P. Thompson, Assistant Manager, Investment Division, Bank of
(Aspen - New South Wales, Sydney
Eisen. Ex.)
2. 9/30/69 L.H.E. Bury, Minister for Labour and National Service
Sir Richard Randall, Secretary to the Treasury
J.G. Phillips, Governor, Reserve Bank of Australia
- 10/1/69 L.H.E. Bury, Minister for Labour and National Service (at Canadian
Ambassador's dinner for the Pearson Commission)
3. 5/25/70 J. G. Phillips, Governor, Reserve Bank of Australia
- 5/20-22/70 Representatives and Observers at the OECD Meeting:
(Paris) Hon. Phillip R. Lynch, MP, Minister for Immigration and Minister
Assisting the Treasurer
A.P. Renouf, Australian Ambassador to France
J.W.C. Cumes, First Assistant Secretary, Department of External Affairs
B.F. Meere, Minister (Commercial), Geneva
J.R. Short, Senior Treasury Representative, (London)
C.R.S. Rodgers, First Secretary, Paris
- 4/6-9/70 Sir John Crawford, Vice Chancellor, Australia National University
4. 9/25/70 L.H.E. Bury, Treasurer of the Commonwealth
(Copen.)
5. 9/27/71 Mr. B.M. Snedden, Commonwealth Treasurer
R.J. Whitelaw, Adviser and First Assistant Secretary, Treasury
J.O. Stone, Adviser and First Assistant Secretary, Treasury
- 12/3/71 (Meeting of the Consultative Group on International Agricultural Research)
F.G.H. Pooley, Financial Counsellor, Australian Embassy
C. Garrow, Scientific Attache, Australian Embassy
Sir John Crawford, Chairman of the meeting
- 4/20/72 Sir John Crawford, Vice Chancellor, Australia National University
- 6/5/72 Dr. H.C. Coombs, Chancellor, University of Australia - MATERIAL FILED
INDIA
6. 9/25/72 B. M. Snedden, Commonwealth Treasurer
Sir Frederick Wheeler, Secretary to the Treasury
R. J. Whitelaw, First Assistant Secretary, Treasury
Lindsay Knight, Executive Director
- 6/12/73 Andrew Peacock, M.P. (at Percy dinner)
- 6/12/73 Benais Sabumei, Third Secretary, UN Delegation (with Papua New Guinea group)
- 6/16/73 Andrew Peacock, M.P. (lunch at McNamara residence)

- 7/28/73 E. Gough Whitlam, Prime Minister (Dinner at Australian Emb.)
- 10/9/73 Ambassador Plimsoll (Lunch)
7. 9/26/73 Frank D. Crean, Treasurer, Australian Government
Nairobi Sir John Phillips, Governor, Reserve Bank of Australia
R. J. Whitelaw, First Assistant Secretary, Australian Treasury
- 1/26/74 Andrew Peacock, MP (Dinner at home)
8. 2/10-16/74 RMcN Notes
(Australia)
Including
Papua New
Guinea
9. 2/13/74 Meeting with Opposition Leader, PNG
(Port Mr. Tei Abal, Leader of the Opposition
Moresby) Mr. Lussick, Opposition Party Official
10. 2/14-15/74 Meeting with Aid Officials
(Canberra) Leslie Johnson, Administrator-designate, Australian
Development Assistance Agency
Mr. Loveday, Acting Administrator
- " Foreign Affairs
Mr. William L. Morrison, Minister for Science and
External Territories
- " Mr. Alan Renouf, Secretary of the Department
Mr. J. W. C. Comes, First Assistant Secy, International
Organizations
- " Mr. D. J. O'Leary
- " Finance Ministry
The Honorable Frank Crean, Treasurer
Mr. R. J. Whitelaw, First Assistant Secretary
- Sir Frederick Wheeler, C. B. E., Secretary to the Treasury
(Private meeting)
- " Aid Officials
Sir Frederick Wheeler, Secretary to the Treasury
Mr. R. J. Whitelaw, First Asst Secy
Mr. J. H. Garrett, Deputy Secretary, Treasury
Mr. H. Heinrich, Assistant Secretary, Treasury
Mr. R. Woolcott, Deputy Secretary, Foreign Affairs
Mr. A. Griffith, First Assistant Secretary
Mr. I. Castles, Department of the Prime Minister
Mr. Hope, Aid Agency
Mr. Keoway, Assistant Director, Aid Agency
Mr. P. Dixon, Department of Overseas Trade
Mr. B. Pearson, Department of Overseas Trade

2/10-16/74
Australia

Others Met on Visit

Sir Howard and Lady Beale (Private Dinner)
The Prime Minister, E. Gough Whitlam

At Australian National University

Dr. Williams, Vice Chancellor
Professor ~~D. A.~~ A. Low, Director, RSPacS
Sir John Crawford
Dr. H. C. Coombs, Chancellor of ANU
Professor H. Arndt, Economics

In Sydney

~~Sir John Phillips, K.B.E., Governor of Reserve Bank of Australia~~

Sir Gordon Chalk, Treasurer of the State of Queensland

3/4/74

Dinner - Embassy of Australia:

Host: Sir Patrick Shaw, Ambassador

Guest of Honor: J. O. Stone, Deputy Secretary of the Treasury

7/23/74

Sir John Crawford (Lunch at Bank)

8/7/74

Sir John Crawford

10/3/74

Hon. F. D. Crean, Treasurer
Sir Frederick Wheeler, Secretary to the Treasury
L. W. Johnson, Director General, Office of the Australian
Development Assistance Agency

10/3/74

Prime Minister Whitlam (dinner at the Australian Embassy)

1/23/75

Sir John Crawford

12. 4/8/75

Sir Patrick Shaw, Ambassador to the U.S.

13. 5/7/75
(Dinner)

Gough Whitlam, Prime Minister
Sir Patrick Shaw, Ambassador

6/12-13/75
(Paris-Dev.
Cte.)

L. W. Johnson, Director-General, Australian Development
Assistance Agency

14. 9/1/75

William G. Hayden, Treasurer
L. W. Johnson, Director-General, Australian Development Assistance Agency
Sir Frederick Wheeler, Secretary to The Treasury
J.D.C.C. Moore, First Assistant Secretary, The Treasury

1/6-10/76
(Dev.Cte.,
Kingston)

P. R. Lynch, Treasurer

3/17/76

Nicholas Parkinson, Ambassador (dinner at the Australian Embassy)

15. 4/30/76 Red Carnegie, mining executive. Chairman, Conzinc Riotinto
Ambassador Nicholas Parkinson
16. 7/22/76 Andrew Peacock, Foreign Minister
Alan P. Renouf, Secretary, Ministry of Foreign Affairs
John Ridley, Secretary to Minister Peacock.
- 7/27/76 Sir John Crawford (lunch alone with RMcN)
17. 8/3/76 Gay Davidson, Canberra Times
- 3/25/77 Ambassador Alan Renouf (Embassy dinner in honor of
Foreign Minister Peacock)
- 3/26/77 Lunch at Tracy Place for Foreign Minister Peacock
- 6/20/77 Sir John Crawford
18. 9/13/77 J. C. Ingram, Director, Australian Development Assistance Bureau
- 9/21/77 Sir John Crawford
19. 9/27/77 Phillip R. Lynch, Treasurer
(Annual Meeting) Sir Frederick Wheeler, Secretary to the Treasury
J. C. Ingram, Director, Australian Development Assistance Bureau
J. D. C. C. Moore, First Assistant Secretary, The Treasury
- 6/3/78 Foreign Minister Andrew Peacock (Lunch at Tracy Place)
20. 9/27/78 Finance Minister Robinson
Annual Meeting Messrs. Wheeler, Ingram, Daniel and Johnston
21. 1/3/79 Prime Minister Malcolm Fraser
Mr. John Stone, Secretary (Treasury)
- 3/19/79 Sir John Crawford
22. 9/29/79 John Howard, Treasurer
annual meeting Messrs. Ingerics, Stone, Keany

OFFICE MEMORANDUM

TO: Records

DATE: October 9, 1968

FROM: Jochen Kraske *JK*~~CONFIDENTIAL~~*No classification.**11/30/84. B. Moore*SUBJECT: AUSTRALIA: Meeting of Delegation with Mr. McNamara

The Minister of Finance, Mr. William McMahon came to see Mr. McNamara on October 3. Sir Richard Randall, Secretary to the Treasury, Mr. G.A. Low, Minister Financial of the Embassy and Mr. J.O. Stone, Executive Director accompanied the Minister. Messrs. Goodman and Kraske were present at the meeting.

Commodity Studies

Mr. McNamara asked what the feeling of the Australian delegation was regarding the deadline for the submission of the Bank's proposals on the commodity problem. He specifically enquired about the Australian delegation's attitude towards the French proposal of finalizing the Bank's report before the end of this calendar year. Mr. McMahon explained that he was opposed to any efforts to rush an agreement on this matter. The Minister referred to the laborious discussions usually connected with trade and commodity agreements between countries and said that he could not believe a sensible solution of this very difficult problem could be worked out in a short period of time. So far as his discussions with other Governors were concerned, he felt that this view was widely shared by the delegations of Part I countries. Mr. McNamara agreed that this was largely his own view and that the differences of opinion on the Bank's report were still so great that they could not conceivably be ironed out by the end of this calendar year. He also agreed that most of the delegations he had talked to about this problem, such as the U.S. delegation, were strongly opposed to rushing the proposals.

Bank Group Assistance to India

The Minister of Finance referred to Mr. McNamara's remarks in his opening speech about the wider geographical distribution of Bank Group lending and a reduction of the emphasis which assistance to Asia and to the Indian sub-continent in particular, had received in the past. The Minister pointed out the critical necessity for continued assistance to India for politico-economic reasons and expressed concern about the effects which neglecting the Indian economic problem might have on the balance of power.

Mr. McNamara said he agreed with the Minister although for different reasons. He did not think that the political aspect of the question was any of the Bank's business; however, in his view, solving the development problem meant to a large extent solving the Indian economic problem. He felt that in spite of all the criticism brought forward against the emphasis on assistance to India, India had not so far received her fair share of Bank Group funds nor in fact had India

received the assistance that she could use; the same could be said more or less about Bank Group assistance to Pakistan. The reasons for this shortfall of Bank Group assistance to India had been the following: (1) a strong resistance on the part of some of the Part I countries to the high proportion of IDA funds which had gone to India; this had even led some countries to make their contribution to the replenishment of IDA contingent on a reduction of the share India would receive of the IDA funds; (2) India has difficulties to absorb project aid on the scale required to solve her economic problems; the kind of assistance which India needs most urgently is program aid which so far was still not accepted as a legitimate form of Bank Group assistance. Mr. McNamara said he felt it was necessary to destroy the myth about program lending and to include this type of assistance into the Bank Group's approach to development financing. The problem of convincing the Executive Directors of the need for program aid to India would of course be more serious still if IDA was not replenished soon and program loans would have to be made to India on conventional terms.

Bank Lending to Australia

The Minister of Finance told Mr. McNamara about recent discoveries of immense coal and phosphate deposits in Australia. The Australian Government is trying to develop these deposits and to set up aluminum plants on the basis of the new coal resources. However, this task by far exceeded the availability of capital at the disposal of Australia even though interested private parties had agreed so far to put up \$220 million for this project. Attempts to raise funds in Europe had been unsuccessful; meanwhile heavy debt repayments and large expenditures for defence purposes had to be made out of the existing foreign reserves. Mr. McMahon wondered whether there was a way for Australia to tap the resources of the World Bank Group for this project.

Mr. McNamara thought it was extremely unlikely that the Bank would resume lending to Australia. However, he said he was willing to examine a proposal if the Australian Government chose to submit a request for Bank assistance.

JKraske:rk

cc: Messrs. McNamara
Knapp
Cargill
Goodman
Street
Votaw

September 30, 1969

MEMORANDUM OF CONVERSATION, SHERATON-PARK HOTEL, SEPTEMBER 30, 1969

Others present: William McMahon, M.P., Treasurer of the
Commonwealth of Australia

Sir Richard Randall, Secretary to the Treasury

Sir Roland Wilson, K.B. E., (Chairman, Commonwealth
Banking Corporation

L.H.E. Bury, Minister for Labour and National
Service

Mr. Knapp

I reviewed in detail our plans for negotiating the Third Replenishment, studying the capital increase, and continuing to borrow in the tight money market at high interest cost. I emphasized the expansion of our activity in the Pacific area, particularly in Indonesia and Papua and New Guinea, and pointed out that we could not continue to carry on such activity without increased assistance from Australia. The Australians endorsed the need for continued expansion of Bank operations in the area and agreed we should continue to borrow the amounts necessary to support higher lending but were noncommittal on expanding their financial contribution to the Bank.

Robert S. McNamara

President has seen

THE FINISH
OF THE DAY
1914

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 25, 1970

FROM: Denis Rickett

SUBJECT: Meeting with Governor Phillips

I understand that Dr. J. G. Phillips, the Governor of the Reserve Bank of Australia, is coming to see you at 4:00 p.m. today.

2. My guess is that Dr. Phillips has been attending the meeting of the American Bankers Association in Virginia and that his call on you is largely a courtesy call.

3. Possible topics which might come up during your meeting are as follows:

(a) As a Central Bank Governor, Dr. Phillips naturally is interested in world capital markets. He is all the more interested since Australia is a capital importing country which needs to raise substantial funds abroad each year. In the past, Australia has relied mainly on the London and New York markets but borrowing in those markets is now less easy than it used to be. They have also resorted latterly to the German market. Here, again, conditions have changed for the worse.

Dr. Phillips would, no doubt, be interested in your views about the future course of money rates both in New York and in Europe.

(b) Australian holdings of World Bank two-year bonds. These amount to \$19 million in all. In March last, when we made a new issue of \$175 million to meet a maturity of \$125 million, the Australian Reserve Bank rolled over their holding in the maturity of \$2 million but did not increase it. You may remember that this time a year ago I had a discussion in Sydney with the Deputy Governor from which it appeared that the Reserve Bank preferred to be completely free about their purchases of our two-year bonds and not to be subject to any pressure from us on the matter.

(c) Australian participation in the IDA Third Replenishment. Dr. Phillips is not directly concerned with this. Should the matter come up, you could say that the Commonwealth Treasurer, Leslie Bury, has told us that he is impressed by the consensus which we have obtained in favour of a level of US\$800 million and that he will need to discuss the whole matter with his colleagues in Cabinet. (They had previously thought that replenishment at a level of US\$600 million was as much as Australia would wish to contemplate.)

(d) IDA credits to Papua and New Guinea and to Indonesia. Mr. Goodman is sending me a short note on this which I will send on to you. Now attached as Annex.

Gov. since 1968

President has seen

OFFICE MEMORANDUM

TO: Sir Denis Rickett

DATE: May 25, 1970

FROM: Raymond J. Goodman

SUBJECT: Australia: Visit of the Governor of the Reserve Bank.

The attached note on Papua and New Guinea and on Australian Aid, is probably too detailed for Mr. McNamara's brief and you may wish to extract a few points from it. Alternatively, you could attach it as an appendix to the brief if you prefer.

DRAFT for Inclusion in Briefing Paper for
Meeting with Governor Phillips

Bank Group Operations in Papua and New Guinea

The recommendation of a Bank survey provided the basis for the Territory's Development Plan for the five years to 1972/73. This plan provides for investment estimated at A\$838 million, 46% of which is in the public sector. The Development Plan was devised before the impact of the exploitation of the Bougainville copper deposits could be forecast and it now appears that these will bring substantial increases in export earnings and public revenues. Nevertheless the Territory will continue to be dependent on large scale external assistance especially Australian Government grants for implementing the program.

The Bank and IDA will have made the following loans and credits to the Territory Administration by the end of FY 1970:

<u>Loan or Credit No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount (US\$ million)</u>		
				<u>Bank</u>	<u>Ida</u>	<u>Undisbursed</u>
546-PNG	1968	Administration of the Territory of Papua and New Guinea	Telecommunications	7.0		6.9
137-PNG	1969	Administration of the Territory of Papua and New Guinea	Agriculture		1.5	1.4
175-PNG	1970	Administration of the Territory of Papua and New Guinea	Agriculture		5.0	5.0
	1970	Administration of the Territory of Papua and New Guinea	Highway	4.5	4.5	9.0
		Totals		11.5	11.0	22.3

The highway loan and credit are to be presented to the Board on 9th June.

The 1970 agricultural credit has not yet become effective.

In FY 1971 a hydroelectric project will be appraised in the fall in which Bank participation could amount to US\$19.5 million. In FY 1972 highway construction is planned in which Bank participation could amount to US\$12.0 million. In FY 1972 a small IDA credit of US\$3.0 million for port development is also programmed. In FY 1973 an IDA credit of US\$3.0 million for an agricultural project and a Bank loan of US\$4.0 million for telecommunications are programmed. The program for FY 1974 is an unidentified transport project of US\$4.0 million. The Bank has recently been requested for financial assistance for education and a project in this field might be added in FY 1974.

The total Bank and IDA lending program for 1970-74 as it now stands amounts to US\$59.5 million, of which US\$ 19.5 million is IDA. This would be the equivalent of US\$8.3 per capita for IDA.

Earlier this year the Bank was requested for assistance in financing the Territory's purchase of 20% of the equity in Bougainville Copper Pty. This request was declined because it was felt that the purchase could be financed, with the Australian guarantee, elsewhere; furthermore the arrangements for the purchase of the equity were advanced too far for Bank cooperation to be possible.

Australian Development Aid

Australian grant aid to the Territory has accounted for approximately 2/3 of her total overseas aid in recent years. Estimated figures for Australian grant aid for year ended June 30, 1970 are as follows:

			<u>\$A Millions</u>
Papua and New Guinea			
	Budget deficit		96
	Other expenditures		12
Indonesia			15
Other countries under the Colombo Plan			26
Multilateral	IDA	5.5	
	ADB	3.8	
	UNDP	1.5	
	Other UN agencies	<u>2.2</u>	<u>13</u>
			<u>162</u>

Australian aid to Indonesia and other Colombo Plan countries includes \$11.8 million of food aid and \$8.1 million of technical and expert assistance. On the basis of the above figures and an Australian population of 12 million this aid amounts to \$13.5 per Australian.

At the IGGI meeting in April Australia pledged an amount of US\$60 for the three-year period commencing April 1, 1970 (at the beginning of the Indonesian fiscal year).

9/25

MEMORANDUM FOR THE RECORD

Annual Meeting 1970 - Discussions with Part I Countries - Australia

The Commonwealth Treasurer, the Right Honourable Leslie Bury, called on Mr. McNamara at 9:00 a.m. on Friday, September 25th. Mr. Bury had with him Sir Richard Randall, Mr. L. B. Brand, Mr. R. J. Whitelaw and Mr. John Stone. Sir Denis Rickett and Mr. Raymond Goodman were also present.

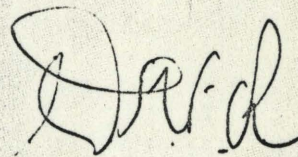
Mr. McNamara began by thanking Mr. Bury very warmly for the decision of the Commonwealth Government to contribute their full share to the Third Replenishment of IDA at an annual level of \$800 million. In reply to a question he said that he was optimistic about the prospects that the Third Replenishment arrangements would be ratified by the U.S. Congress in time. The coming into effect of the Second Replenishment had been delayed because the Democratic Administration did not push the matter with the Congress. It was only later, after a substantial number of Part I countries had made advance contributions, that President Nixon had put his weight behind the proposal. As Mr. Bury would have noticed, the Secretary of the U.S. Treasury, Mr. Kennedy, had spoken of presenting the legislation to Congress early in the next session. That would mean January or February 1971. It would then take some months for Congress to pass it but, in the light of President Nixon's recent message on aid, Mr. McNamara felt confident that the IDA replenishment would have the full support of the U.S. Administration. President Nixon's message had had a favourable reception from Republican members of Congress.

Mr. Bury then asked about IDA lending to Papua-New Guinea. Mr. McNamara asked him what he thought an appropriate level would be. Mr. Bury did not give any direct answer to this question but referred to the report of the Bank's economic mission and to the fact that the Commonwealth Government were anxious to encourage the population of Papua and New Guinea to assume as much responsibility as possible for their own affairs, for example, by setting up a development bank.

Mr. Bury then said that the Commonwealth Government would be interested in borrowing from the Bank themselves. The large-scale mineral discoveries which had taken place in Western Australia in the last few years had thrown enormous strain on their resources because of the need for additional public services. Investment projects attracted private capital but they created an additional need for transport, water supply, and education. Asked what amount he had in mind, Mr. Bury referred to a project for providing additional power and water supply in New South Wales to serve Sydney and the surrounding area. The total cost would be some AS\$65 million of which the foreign exchange component might be AS\$15 to 20 million. If the Bank made a loan, they would acquire marketable securities from the Australian authorities which they could subsequently sell off. Australia was making every effort to borrow in the capital markets of the world but they were faced, in the coming year, with an excess of AS\$130 million repayments over new borrowing. The proportion of investment to national income was very high and most of their public expenditure was for capital purposes. They were making all reasonable efforts to finance this from taxation as well as from borrowing.

President has seen

Mr. McNamara said that it was to him a novel idea that the Bank should use its resources to make capital available on concessional terms to a country such as Australia which could borrow on its own credit in capital markets. There had been much criticism in the press about the Bank's recent loans to market-eligible countries such as Finland and Ireland. He would certainly be willing to consider this proposal and to discuss it further with the Australian Executive Director. At the moment, however, it seemed to him inconceivable that the Bank could include in its lending programme a loan to a country at the stage of development reached by Australia. He would have to consider what other countries would wish to be included in the same category. Italy, for example, might claim that they had large demands for capital for the development of the south. The present rapid development in Australia seemed at first sight to be pre-eminently of the kind which would attract, and could be financed by, private capital in the form of both portfolio and direct investment. Nevertheless, he would certainly undertake to study the matter further.



D. H. F. Rickett
Vice President
September 25, 1970

OFFICE MEMORANDUM

TO: Mr. Leif E. Christoffersen

DATE: October 7, 1970

FROM: Denis Rickett

SUBJECT: Additional Remarks to Record of Mr. McNamara's Meeting with
Mr. Leslie Bury in Copenhagen

You may like to have the attached copy of a note which I received from Mr. Goodman.

2. This, as you will see, amplified somewhat the third paragraph of my record of Mr. McNamara's meeting with Mr. Leslie Bury in Copenhagen on Friday, September 25th.

cc: Mr. Knapp

Sir Denis Rickett

This seems to me to be a full and fair account, and I have no comments on the part relating to Bushabia.

As to the part in the middle referring to the Territory, ^① I think the Treasurer was making the point that Bushabian assistance and the achievements of the Territory had already exceeded, in some respects, the proposals of the Bank's Survey Mission Report (of 1964). ^② The PNG Development Bank already exists and his staff told me yesterday that the Treasurer would suggest a Bank loan to this institution.

R.J.S.

Tram
Stone



MEMORANDUM FOR THE RECORD

SUBJECT: Australia

The Commonwealth Treasurer (Mr. B.M. Snedden) called on Mr. McNamara at the Sheraton Park Hotel at 3:00 p.m. on Monday, September 27, 1971. He was accompanied by Mr. R.J. Whitelaw and Mr. J.O. Stone of the Commonwealth Treasury and by Mr. Knight and Mr. Cranswick. Mr. Knapp, Sir Denis Rickett and Mr. Goodman were also present.

There was some reference at the outset to the discussions at the Copenhagen meeting of the possibility of a World Bank loan to Australia. Mr. Snedden made it clear that the Australian Government had not been surprised that this proposal did not appeal to the Bank Management. He laid stress, however, on the needs of Papua and New Guinea. Their natural resources were limited but the Australian Government was making a considerable amount of aid available to them.

Mr. McNamara said that the World Bank Group had made available to Papua amounts of money which, in proportion to population, were very high. IDA credits to Papua and New Guinea were equivalent to \$6 per head of the population. If this much were done for every country, this would mean that World Bank Group loans and credits would total \$11 billion as compared with their present level of \$2.6 billion.

Mr. Snedden said that nevertheless he hoped that the World Bank Group would be able to do more. There were political as well as economic problems in the territory. There were conflicting views about the granting of independence at this time. The Commonwealth Government was not sure that this would be in the interests of the territory. The highland population, in particular, were at a very early stage of political development. Once the territory had achieved independence, Australian aid would be likely to grow more slowly. In any event, he would like to see them getting rather more from IDA.

The conversation then turned to Indonesia. Mr. Snedden said that this was a country of great importance to Australia. The recent 9% devaluation had been skillfully managed. Nevertheless, Indonesia had great problems of administration and management. It was important that their economic development should go ahead.

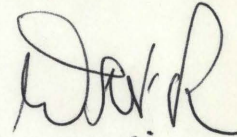
Mr. McNamara said that IDA credits to Indonesia had amounted to almost \$90 million in the previous fiscal year and might exceed \$100 million in the present fiscal year. Nevertheless, this was not a large amount for a country of 120 million people. IDA would be glad to do more for Indonesia if they had the resources with which to do it. He had been glad to see that Australian official development assistance had been raised (from 0.55% of GNP to .6%). He hoped that this increase could be continued.

Mr. Snedden said that he was aware that an additional capital subscription to the Bank had been offered to Australia. He was not sure, however, whether they would be able to take this up in the present fiscal year. He referred to the needs of the Polynesian territories and said that the Bank perhaps might be considered too large an organization to lend to them. Mr. McNamara said that there might be opportunities for the Bank to help them with the formulation of development programs and projects.

President has seen

Finally, Mr. Snedden told Mr. McNamara that the Australian Government had decided to make an advance contribution to IDA of \$16 million representing the first instalment of their contribution. He would announce this in his speech to the Governors tomorrow.

Mr. McNamara expressed great appreciation of this decision. While he was confident that the U.S. Congress would eventually pass the IDA legislation and while the Administration had pledged itself to do all it could to get this done by the end of the year, IDA needed funds in the meantime to sustain its operations.

A handwritten signature in dark ink, appearing to read 'D. H. F. Rickett', with a stylized, cursive script.

D. H. F. Rickett
September 27, 1971

October 18, 1972

MEMORANDUM FOR THE RECORD

SUBJECT: AUSTRALIA - Meeting with Australian Delegation, September 25, 1972
4:15 p.m.

Mr. McNamara met with the Australian delegation on September 25, 1972 at 4:15 p.m. Present were:

For the Australians:

Mr. B.M. Snedden, Treasurer
Sir Frederick Wheeler, Secretary to the Treasury
Mr. R.J. Whitelaw, First Assistant Secretary, Treasury
Mr. Lindsay Knight, Executive Director

For the Bank:

Sir Denis Rickett
Mr. Goodman
Mr. Sandberg

Mr. McNamara said that although the Third Replenishment of IDA had just been completed it was high time to start thinking of the Fourth. Because of the delays only 21 months remained under the Third Replenishment and this was roughly the time that had been allowed originally for the negotiations of the Third Replenishment. Time was therefore of the essence and he planned to start consultations on the Fourth Replenishment before the end of the year. For the time being Mr. McNamara was mainly interested in the reaction of the Australian delegation to this timetable and the Fourth Replenishment in general.

Mr. Snedden noted that Australia had "come to the party" in the case of the Third Replenishment and would certainly consider participating in the Fourth Replenishment.

Mr. Snedden said that he had no particular issue to raise but would like to extend an invitation to Mr. McNamara to visit Australia, and Papua New Guinea, at any time that might be convenient. Mr. McNamara said that he would very much like to visit Australia at some stage.

In response to a question from Mr. McNamara regarding the timing of independence for Papua New Guinea, Mr. Snedden said that the Australian Government had accepted the target date of end 1973 for self-government set by the Assembly. He thought that independence would follow shortly thereafter. The timing would depend primarily on the speed with which the various steps could be taken. In Mr. Snedden's view independence

President has seen

should be pushed ahead as fast as possible after self-government. The next election in Papua New Guinea was therefore likely to be an independence election.

Mr. Snedden stated that Australia would continue to provide substantial aid to Papua New Guinea. The amount of aid provided to Papua New Guinea would affect the amount of aid that Australia could provide to other countries.

In response to a comment by Mr. McNamara to the effect that Australia was doing fairly well overall in its aid effort, particularly as far as terms were concerned, Mr. Snedden said that he felt that Australia should continue to provide its aid primarily in the form of grants.



Bengt G. Sandberg

cc: Messrs. McNamara
Knapp
Ljungh

cc: Messrs. Cargill
Goodman
Sir Denis Rickett

MEMORANDUM FOR THE RECORD

AUSTRALIA - Discussions with Part I Countries

The Commonwealth Treasurer, Mr. Frank Crean, called to see Mr. McNamara at 2:30 p.m. on Wednesday, September 26. He had with him Sir John Phillips, Governor of the Reserve Bank, Mr. Whitelaw, Mr. McLeod, and Mr. Visbord. I was also present.

Mr. McNamara thanked Mr. Crean for maintaining at 2% the Australian share in the Fourth Replenishment of IDA. He thought that the Annual Meeting had been a useful, thoughtful, and constructive meeting in spite of one or two demagogic speeches. He agreed that the device of group spokesmen was useful. Mr. Crean was somewhat critical and was surprised that so many people would listen to formal set speeches. He agreed with Mr. McNamara that the meeting had been useful in bringing pressure to bear for an agreement on IDA and that it enabled Ministers and officials to get to know each other. He referred to the decision taken on political grounds to break-off relations with South Africa. South Africa at present shared with Australia and New Zealand their representation in the Bank Board. Other arrangements would have to be made in a year from now when the next election of Executive Directors took place.

Mr. McNamara asked about the prospects of independence for Papua-New Guinea. Would Australia continue to guarantee their borrowings?

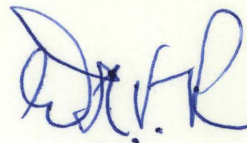
Mr. Crean said that Papua-New Guinea might not wish to have an Australian guarantee. Australia would be providing budgetary aid amounting to \$200 million a year. The Australian population of 13 million was relatively small in relation to Papua as compared, for example, with that of Britain in relation to Zambia and Southern Rhodesia whose loans they had guaranteed. Legislation would be needed. He did not believe that Papuan independence would seriously affect the chances of it being passed.

Mr. McNamara said that we were getting near the point where projects would no longer come through without an Australian guarantee. It would be difficult to plan the future if there were no firm commitment.

Sir John Phillips was surprised that the Bank would not consider Papua creditworthy without an Australian guarantee even though they got such substantial budgetary aid from Australia.

President has seen

Mr. McNamara said that the market for World Bank bonds would be affected if the Bank lent to a country such as Papua which was not a single nation unless there was an Australian guarantee. The amount was small but it would set a precedent. The Bank had to borrow very large amounts in the future and must protect its credit rating. He then enquired about the new aid agency set up under the Australian Government. Mr. Crean said that a single department had been created under the Department of Foreign Affairs. There would be no change in the Governorships of the Bank and the Fund. The object was to avoid duplication of work between the Foreign Affairs Department and other departments.



D. H. F. Rickett
Vice President

September 28, 1973



MEMORANDUM FOR THE RECORD

Meeting with Opposition Leader, Papua New Guinea, February 13, 1974

Present: Mr. Tei Abal, Leader of the Opposition, and Mr. W.A. Lussick, Opposition Party Official, and Mr. McNamara

Mr. McNamara asked about the prospects for independence. Mr. Abal was skeptical of political independence before more economic development had taken place. PNG would not be able to repay large loans. Self-government and independence mean requirement for a larger budget. Militant attitude towards foreign investors may destroy PNG confidence abroad. He asked the Bank's policy on major projects.

Mr. McNamara said the Bank wants to be of continuous help to PNG. Since the level of income in PNG is low, concessionary aid is needed and IBRD money will have to be guaranteed by Australia.

Mr. McNamara asked about the prospects for development in the highlands. Mr. Abal said that the problems are among other things to find markets for vegetables grown in the highlands. Australian imports would have to be stopped and air freight subsidized. Coffee could be more widely produced. For both coffee and livestock constraints are lack of financing and roads. Mr. Abal said that feeder roads have been and should be constructed and financed locally. He did not think that land tenure was a major obstacle to livestock production.

Mr. Abal expressed concern over the form of government proposed and said that the Westminster system may have to be modified considerably. He said that the present government may be influenced by socialists or communist ideas and he was worried about the rapid outflow of Australians, since expatriates would be needed for some time to come both for technical competence and as a counterweight to leftist tendencies.

AL
March 1, 1974

MEMORANDUM FOR THE RECORD

Australia: Meeting with Finance Minister Crean, February 14, 1974

Present: Messrs. Crean, McNamara, Whitelaw, McLeod and Wm. Clark

Mr. Crean asked Mr. McNamara's impressions of Papua New Guinea. Mr. McNamara emphasized the very complex development problems that the country faced and Mr. Crean agreed, saying that PNG can in no way be called a nation and would be dependent on Australian assistance currently running at Aus\$200 million per year. Australia was not willing to commit assistance for specific amounts several years into the future. He compared it to American Samoa which received one-half of its budget from abroad.

Mr. McNamara asked how the financial relationships between the countries would develop over the next two-three years. Mr. Crean thought that rapid development was unlikely and that financial dependence would remain. He felt that it was up to PNG to make approaches to the World Bank for assistance.

Mr. Crean felt that IDA funds would be badly needed for PNG. Mr. McNamara said that the allocation to PNG was approximately \$2.00 per capita per year for \$6 million per year, while the average was \$1.00 per capita and less than that for India and Indonesia. IDA would of course be contingent upon the successful conclusion of the Fourth Replenishment.

In response to Mr. Crean's question, Mr. McNamara said that the Bank would plan to be active in several sectors, particularly in the highlands, in infrastructure and projects aimed at increasing productivity. Import substitution of vegetables and beef was crucial. In education the Bank was considering secondary teacher and vocational training. Mr. Crean mentioned circuit television as a possibility.

Mr. McNamara said that the Bank could lend \$18-\$20 million per year but such loans would have to be guaranteed by Australia. He wished to treat PNG no better or worse than any other Bank country. Mr. Crean said that guarantees by Australia would create problems for both Australia and PNG. Australia is already guaranteeing \$300 million.

Mr. Crean asked about the use of oil funds for development. Mr. McNamara said he would visit with the Shah on February 21 to discuss, together with IMF Managing Director Witteveen. The problem was that schemes conceived so far did not deal with the problem of poor countries like India. Mr. Crean speculated at what would happen to oil liquidity and was concerned that it would create a world recession. He asked Mr. McNamara to place before the world the moral arguments to increase aid and decrease defense expenditure.

In a discussion of vehicles for aid, Mr. McNamara emphasized that the World Bank is a good forum for international cooperation, as is the IMF, and encouraged Mr. Crean to use the ED for Australia as a channel of communications since the Bank's Board is a good forum for frank discussions.

The conversation returned to the guarantee where Mr. McNamara emphasized that the Bank has no option since its financial sources would dry up if we are not prudent, and a concession in PNG would require similar ones to India, Ethiopia, etc. Mr. Crean suggested that an informal guarantee and said he would think further about the subject and would encourage Chief Minister Soumari of PNG to take up the problem with Prime Minister Whitlam. Mr. McNamara said he would discuss it with the Prime Minister the following day.

AL

March 4, 1974

President has seen

MEMORANDUM FOR THE RECORD

Australia: Meeting with Aid Officials, February 14, 1974

Present: Messrs. McNamara, Clark, Johnson, Appointed Administrator for the Aid Agency, and Mr. Loveday, Acting Administrator.

Mr. Loveday said that the organization of the aid agency would be consolidated and cooperation with voluntary aid agencies would be increased. Australia's aid program would be concentrated in Asia with an emphasis on training of local counterparts in projects. The amounts allocated would be A\$200 million for PNG, A\$23 million for Indonesia and A\$10 for Bangladesh, with smaller amounts for other countries. For Indonesia there had been a pledge for A\$69 million for three years, all of which would be grant aid. The trend was away from program aid to projects. Indonesia would itself be able to determine how much food aid in the form of wheat it required.

Mr. Loveday said that the multilateral component of Australia's assistance would be increased. He feared that other countries, such as Denmark and the U.K., may opt out of the Food Aid Convention. Mr. McNamara hoped that they would be sensitive to the argument of maintaining that aid until the Food Conference takes place.

Mr. Loveday said aid to India would increase and the emphasis would be towards projects and particularly in agricultural science. Mr. McNamara encouraged support of ICRISAT in Hyderabad which had been created under the auspices of CGIAR. Another possibility would be population projects. Mr. McNamara asked how the Bank compared with the Asian Development Bank in Australia's views. Mr. Johnson praised the Bank's technical capability but said we were harder to get along with due to our cumbersome procedures.

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March 4, 1974

President has seen

MEMORANDUM FOR THE RECORD

Australia: Meeting with Mr. W.L. Morrison, Minister Assisting the Minister of Foreign Affairs relating to Papua New Guinea, February 14, 1974

Present: Messrs. McNamara, Morrison, Wm. Clark

Mr. Morrison asked about the Bank's requirement for guarantees for PNG. Mr. McNamara said he does not wish to treat PNG different from other countries but that the Bank faced serious borrowing constraints, if it wished to maintain its Triple A rating. On IDA Mr. McNamara said that PNG has received twice as much as the world average allocation per capita.

Mr. Morrison asked if Australia could give a discreet guarantee. Mr. McNamara promised to think about it.

Mr. Morrison said that Australia was aiming for independence for PNG in 1974. However, the coalition government in PNG was not strong even if the transition into self-government had been smooth. A coalition of radicals and conservatives was opposed to independence on the grounds that they wish to have further close and intense assistance from Australia and felt that the party in power may exploit the country. He emphasized that the economic potential of PNG is substantial. There is a need to develop the domestic markets and to phase out of the expatriate economy. Mr. Morrison saw advantages in the idea of a consortium for PNG consisting of Australia, New Zealand, possibly Japan, and the World Bank.

AL

March 4, 1974

President has seen

MEMORANDUM FOR THE RECORD

Australia: Meeting with Foreign Affairs Officials, February 14, 1974

Present: Mr. McNamara, Mr. Renouf, Secretary, Mr. J.W.C. Comes, First Assistant Secretary International Organizations Division, Mr. D.J. O'Leary and, for part of the time, the Australian Ambassador to Indonesia

Mr. McNamara asked how the Bank should act in PNG. Mr. Comes said the Australian economy shows excellent prospects and, therefore, aid should also increase. India would continue to be a large recipient but the bulk should go to PNG, however, without precise advance commitments. Australia hopes to terminate the neocolonial relationship with PNG. This includes a reluctance to provide guarantees. Mr. McNamara again explained the Bank's posture regarding guarantees and emphasized that PNG is not being treated differently from other countries. Mr. Comes suggested some form of indirect guarantee, possibly secret from all but the Bank and Australia. Mr. McNamara said he would give this further thought and raise it with the Prime Minister.

On Indonesia Mr. Renouf analyzed recent events saying that the demonstrations against Tanaka had really been directed towards the Government. He felt that there was a struggle between the traditionalists and the modernists but that President Suharto would pull through leaning towards the traditionalists. Suharto had given orders that corruption among top families should stop. Mr. Whitlam would be visiting Suharto in the near future.

Mr. McNamara asked about the prospects for a cartel of bauxite producers. Mr. Comes said Australia had agreed to join the meeting of bauxite producers in Guinea but that the possibilities for a rapid price increase were not as good as for oil, since reserves were too spread out and there were substitutes. The officials were reluctant to discuss the matter.

The Ambassador to Indonesia joined the meeting at this point and summarized his views. They were basically pessimistic, emphasizing the tension within the leading group, between the traditionalists and the modernists, between the army and technocrats. He thought the technocrats would lose out, since they are neither politicians nor managers.

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March 4, 1974

President has seen

MEMORANDUM FOR THE RECORD

Australia: Meeting with Aid Officials, February 15, 1974

Present: Mr. McNamara, Sir Frederick Wheeler, Secretary to the Treasury, Messrs. R.J. Whitelaw (First Assistant Secretary, Treasury), J.H. Garrett (Deputy Secretary, Treasury), H. Heinrich (Assistant Secretary, Treasury), R. Woolcott (A/G Deputy Secretary, Foreign Affairs), A. Griffith (First Assistant Secretary), I. Castles (Department of Prime Minister and Cabinet), Hope (A/G Director, Aid Agency), Kelloway (Assistant Director, Aid Agency), P. Dixon (Department of Overseas Trade), and B. Pearson (Department of Overseas Trade) and Wm. Clark

Subjects discussed were:

1. Oil price increase. Mr. McNamara cited some of the calculations made by the Bank. Australian officials said that there was a study underway which indicated that the main cost to Australia would be shipping and bunkering oil. They did not approve of the Algerian proposal for a special UN General Assembly and thought that the Kissinger conference was badly conceived from the start.

Australia is 70% self-sufficient in oil but still the oil price increase may cost the country \$1 billion according to the Treasury. In response to a question, Mr. McNamara outlined the possible ways of Bank assistance to oil countries and developing countries.

2. Food supply. In response to a question, Mr. McNamara said that food production in the developed countries would probably not suffer but the LDC production may be reduced due to the shortage of fertilizer. He placed importance on the UN food conference where he felt that the fertilizer problem should be prominently quoted.

3. IDA Replenishment. Sir Frederick Wheeler said that Australia was ready to put in its 2% share and asked Mr. McNamara's view of the U.S. situation. Mr. McNamara said it was important that Australia proceed with its legislation along with other Part I countries so that the U.S. would be encouraged to go ahead as well.

4. PNG. Treasury officials argued for the good economic prospects and therefore creditworthiness of PNG. Mr. McNamara reiterated the Bank's problems with lending to PNG without a guarantee.

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March 4, 1974

President has seen

MEMORANDUM FOR THE RECORD

Meeting with Treasurer Crean of Australia, October 3, 1974

Present: Messrs. McNamara, Crean, Sir Frederick Wheeler, L.W. Johnson, McLeod, Visbord

Mr. McNamara said it would be a problem for poor countries to repay short-term credits, such as the IMF Facility. He mentioned India as an example and drew the conclusion that longer-term financing must be made available to India. This would indicate a role for the World Bank, and in particular he contemplated lending IBRD funds to India. He would very much like to know the view of Australia on such a proposal.

Mr. McNamara discussed the risk inherent in the commercial banking system when it is strained by large recycling. Again this would indicate a role for institutions like the Bank and IMF.

The Treasurer said that he felt the committees of the Bank and IMF may play an important role in developing channels for recycling.

Mr. Crean expressed some concern that the turmoil in Ethiopia may be repeated in traditional Arab countries, notably Saudi Arabia.

Mr. Crean asked whether the Bank would participate in debt rescheduling. Mr. McNamara said that at present he felt that this was not possible since the Bank must retain its high credit standing in capital markets. He asked, however, if Mr. Crean would convey his thoughts on this subject over the next few months.

Sir Frederick asked whether OPEC had provided any concessionary money. Mr. McNamara said OPEC had not, although 8% loans to the Bank had some concessionary element and that small operations such as sale of oil or credit could be considered concessionary. He emphasized the severe shortage of concessionary funds and that he in his closing statement may mention that the Bank has been forced to reduce a credit to Bangladesh from \$75 million to \$50 million as a result of delays in 4IDA. Consequently a reduction in real incomes in the poorest LDCs seemed inevitable.

cc: Mr. Knapp
Mr. Cargill

AL
October 4, 1974

There is no Tab 11.

OFFICE MEMORANDUM

TO: MEMORANDUM FOR RECORD

DATE: Received and typed
in Washington April 25, 1975

FROM: Gregory B. Votaw, East Asia and Pacific Region

CONFIDENTIALSUBJECT: INDOCHINA - Visit of Sir Patrick Shaw,
Australian Ambassador to the United States,
to Mr. Robert S. McNamara, April 8, 1975*No classification.
S. Mame 11/30/84.*

1. Sir Patrick explained that his Government was very much concerned about the relief, rehabilitation and other humanitarian needs of the countries of Indochina. The Prime Minister was taking a personal interest in finding ways for Australia to provide effective assistance. Canberra would like to think ahead beyond the immediate crisis and is hoping to develop ideas for major reconstruction assistance to Indochina as a whole. Sir Patrick reported a grant of \$200,000 to the International Red Cross and another \$2 million to the UNHCR as well as the offer of Hercules aircraft to lift refugees from Danang; but he several times stressed his desire to have Mr. McNamara's advice, both as President of the Bank Group and in his "wider role", on how Australia should plan ahead.

2. In several responses to Sir Patrick's rather disjointed inquiry, Mr. McNamara made the following points:

- 4/29
- a) In the present very confused situation there are no answers. Everyone is just trying to understand and few have had time to begin to think about larger issues of reconstruction.
 - b) He welcomed Sec. Gen. Waldheim's appointment, announced that morning, of an Australian, Sir Robert Jackson, to coordinate all efforts of UN agencies throughout Indochina. This provides a central point of contact for all emergency relief activities; his role may later be expanded to cover rehabilitation.
 - c) On behalf of the Bank he had several times offered full cooperation and financial assistance to Hanoi, should the North Vietnamese Government decide to join the Bank. This assurance was given inter alia through Prime Minister Palme of Sweden on the occasion of the Bank's Annual Meeting in Copenhagen and through Secretary Kissinger during the Paris negotiations.
 - d) Hanoi cannot be expected to be very receptive to aid from any "Western" source for some time, although some UN agencies (e.g. UNICEF) do have limited operations and good contacts there. Frustrations are reported by Japan, Sweden, Canada and many others who have offered far more cooperation and assistance than Hanoi would accept.
 - e) Chaos and uncertainty will continue for several weeks at least. Foreigners cannot be very effective in these circumstances nor perhaps for some months thereafter.
 - f) Emergency aid should be channelled through UNICEF and UNHCR as well as any other route Jackson might suggest. These agencies

April 25, 1975

seem much more effective in the present Indochina situation than, for example, the International Red Cross or most bilateral programs (many of which would have to be mounted afresh).

- g) Hanoi is unlikely to respond constructively to offers from Australia to take refugees out but North Vietnam would probably welcome relief stuffs, especially medicine and food. People displaced from their normal economic activity need assistance until their livelihood can be restored.
- h) The Bank would be delighted to sponsor, organize or assist an international consortium to coordinate aid for all of Indochina. Past efforts to do so were frustrated by Hanoi, but the Bank is willing whenever the peoples of Indochina and/or donors reach a consensus that such an aid group is needed. Meanwhile, a group to consider the needs of Laos, which is at peace, will meet April 28 and 29 in Manila, and deserves Australia's strong support. (Sir Patrick knew nothing about this meeting; I later sent him a copy of the meeting announcement and the economic report.)
- i) It is too early for the Ford Administration to have thought much about postwar aid; responding to a specific question from Shaw, McNamara said he surmised (but did not know) that there had been little reason since Paris to think seriously about reconstruction assistance for Hanoi and that therefore Washington would have to develop these ideas afresh when and if the situation permitted. Once war ends, Hanoi will have no political reason to reject aid; the Administration may well recommend assistance, and if so, Congress would respond favorably. (This was stated without strong conviction, and GV, for one, doubts that any substantial U.S. assistance will be given to Hanoi.)

3. As the discussion drifted on, Sir Patrick took several opportunities to say that if the Ford Administration asked Australia to participate in the evacuation or other efforts "that would be different". He seemed to suggest that Canberra was hoping to be galvanized into some dramatic contribution by a specific request from President Ford or Secretary Kissinger. We did not offer to pass that hint along. He, in turn, did not seem fully satisfied with the advice that UN agencies were very well equipped to handle effectively any genuine assistance offers Australia could make for humanitarian objectives.

4. Finally, discussion drifted away from Indochina to a speculation on the Australian domino, long afraid of being gobbled up by Asian hordes but currently somewhat reassured that the great powers might now withdraw from such an active intervention in Southeast Asia. Indonesia interested Australia more than the Asian mainland, but because of its political prisoners was currently the focus of some controversy and disappointment. Meanwhile, the growth of GNP had slowed and inflation, unemployment and money wages were rising encouragingly.

5. The meeting broke up with mutual thanks and promises to keep in touch.

GBVotaw:jw

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Mr. McNamara:

Your Dinner with Prime Minister Whitlam tonight

His first name is Gough--rhymes with cough. Biodata is attached.

Politics After Your Visit Last February

The Upper and Lower Houses were dissolved in April and the election brought in small labor majority in the Lower House and an opposition majority in the Upper House. A joint session pushed through the legislation which had caused the election. The Senate still has the ability to obstruct particularly on budgets but there seems to be some kind of truce which makes life for Whitlam slightly easier. The Labor Party support shifted to the left and Whitlam is less in control in the sense that he belongs to the center faction and has had to appoint a deputy who is to the left, and there may be a power struggle. However, the Labor Party needs Whitlam as its head figure to stay in power. Conservative observers believe he may be close to a new crisis.

Economy

The main public concerns are inflation and unemployment. Inflation was 14% August 1973-August 1974, and is currently running at about 17%.

Unemployment has risen from a traditional 1% to 1.8% which Australians find staggering. The unions are restless and the number of strikes have been greater in the past six months than during the previous two years.

The recently presented budget is expansionary despite inflation and focusses on the public sector and urban and regional development in addition to large social services. It is 33% higher than actual expenditures last year.

Australia recently devalued 12% to control deteriorating balance of payments deficits currently running at about \$200 million per month. Raw materials prices have gone down slightly and wool has decreased drastically forcing the Government to buy up a large part of the year's production.

Foreign investment which was reduced in anticipation of the devaluation has increased again and the long-term outlook is for a small current account deficit with substantial capital imports. There is still much discussion about national control over resources.

The Government has traditionally held a very tight monetary policy which is being eased somewhat. However, a major obstacle to economic management is that certain measures are not permitted by the Constitution, notably wage/price controls. This, together with obstruction by the Parliament, forces Whitlam to operate within a small subset of policies.

Aid and Foreign Policy

You have read the briefing on aid. The aid budget this year is 31% higher than the previous year. The main recipients are Papua and New Guinea and increasingly Indonesia.

Relations with Indonesia are excellent. Mr. Whitlam was in Djakarta last month but concern is still strong about Indonesia's domestic politics.

Relations with Singapore are back to normal. Whitlam's aids are still for an independent international posture directed to the South Pacific and many of his foreign policy moves irritate the U.S. As in many European countries, there is a radical left with anti-American sentiment.

Cultural Revolution

The increase in communications with the outside world is continuing and the group of Australians with sophisticated taste, international interests and general awareness of the world's problem is growing rapidly.

AL
October 3, 1974

14

September 9, 1975

MEMORANDUM FOR THE RECORD

From: Bernard R. Bell (by G.B. Votaw)

Subject: Annual Meeting, Washington, D.C., 1975 - Meeting with Australian Delegation

1. The following members of the Australian Delegation called on Mr. McNamara at 6.00 pm on Monday, September 1, 1975:

Mr. W.G. Hayden	Treasurer
Mr. L.W. Johnson	Director-General, Australian Development Assistance Agency
Sir Frederick Wheeler	Secretary to The Treasury
Mr. J.D.C.C. Moore	First Assistant Secretary, The Treasury

Present from the Bank were:

Mr. R.S. McNamara	President
Mr. J.B. Knapp	Senior Vice-President, Operations
Mr. B.R. Bell	Regional Vice-President, East Asia and Pacific
Mr. G.B. Votaw	Director, East Asia and Pacific Programs Department
Mr. L. Helmers	Division Chief, East Asia and Pacific Programs Department
Mr. S. Burmester	Office of the President

2. Mr. Hayden explained that he had requested the meeting to discuss the issue of Papua New Guinea's creditworthiness. In the Australian view, PNG is creditworthy. The country has a debt service ratio of only 6 percent; the country has good sources of income from mineral exports, and can count on substantial Australian aid flows; the Government, elected in 1972, has a commendable record of sound management; although there are some political problems at present these are not to be taken seriously, and new copper deposits have been discovered which would boost the balance of payments even further. All in all, therefore, Australia believes that the country is certainly eligible for World Bank loans. Mr. Hayden furthermore stated that PNG is committed to the development of its rich natural resources with the help of private investments, and he expressed the fear that if the country were not considered creditworthy by the Bank, it would not be able to attract the private capital it required.

September 9, 1975

3. Mr. McNamara informed Mr. Hayden that an economic mission was scheduled to visit PNG later in 1975 to re-examine the creditworthiness question and that he would defer any decision in the meantime. As regards Australia's concern that private investment would not be forthcoming if the Bank found PNG eligible only for IDA credits, he wanted to point out that Sudan, Zaire and Indonesia - countries that had not been eligible for Bank loans in the past - had not encountered any difficulty in attracting very large sums of private capital from all over the world. Mr. McNamara assured Mr. Hayden that the Bank would apply the same standard criteria for the determination of PNG's creditworthiness that it does for any other country. Mr. McNamara did not want to hide that he felt that at present there are many uncertainties regarding the country's future economic development. PNG is totally dependent on Australia for its financial viability. It is also totally dependent on Australian and other expatriates for administering the country. Furthermore, there are political problems, and although he did not want to attach too much weight to Bougainville's declaration of independence, it underlined the uncertainty of the situation.

4. Mr. McNamara further informed Mr. Hayden that he had allocated US\$12 million of IDA credits per annum for FY76 and FY77 (i.e., until the end of the Fourth Replenishment period), which is very large in per capita terms compared to the allocations other countries receive. He wanted to point out that, if the country were found eligible for Bank loans, the maximum he could make available would be about US\$8 million per annum. Mr. Hayden replied that Australia was not so much concerned about the level of Bank lending as about the creditworthiness rating Australia felt PNG deserves. Mr. McNamara reiterated that he would personally study the situation very seriously as soon as the mission's report became available next January or February.

5. Finally, Mr. McNamara raised the issues of: (a) the Fifth Replenishment of IDA; (b) the proposed increase in capital subscriptions to the Bank; and (c) the Third Window. Mr. Hayden answered that Australia fully supports Mr. McNamara's proposals. Australia will play a positive role in the IDA Replenishment. As regards the capital subscription, it feels it has an obligation to help increase capital transfers to the developing world, and it will support Mr. McNamara in increasing the Bank's capital. As regards the Third Window, Mr. Hayden was pleased to inform Mr. McNamara that Australia will commit itself to provide US\$5.2 million. Mr. Hayden was going to announce this during his speech at the Annual Meeting. Mr. McNamara expressed his sincere appreciation for Australia's support.

September 9, 1975

7. The meeting ended at 6.45 pm.

Cleared with and cc: Mr. Votaw

cc: Messrs. McNamara, Knapp, Bell, Kirmani, Hasan

LHelmers:vh

OFFICE MEMORANDUM

TO: Files

DATE: July 19, 1976

FROM: Gregory B. Votaw

SUBJECT: Mr. R. H. Carnegie, Meeting with Mr. McNamara
April 30, 1976

1. Mr. R. H. Carnegie is Chairman and Chief Executive Officer of Conzinc Riotinto of Australia Ltd., 95 Collins Street, P.O.Box 3184D, Melbourne, Australia (Telephone 63-0491); Telex AA30108). He is very much interested in PNG and particularly the Bougainville mine.
2. Carnegie's main point during the discussion was to emphasize his expectation that copper prices would rise very substantially during the next 12 months - to 70¢ in April (having been 60¢ only a month ago), 80¢ by the end of 1976 and as high as \$1.50 for at least a short time during 1977. Most mines make good money at 80 - 85¢; Bougainville is profitable at 50 - 60¢. Over \$1.00 - \$1.10 new production will be encouraged, new projects now under consideration will be implemented. A higher price will need to be sustained for some months before investment is actually undertaken because of past experiences with

- (a) exceptionally low prices,
- (b) heavy debt payments during a period of high interest rates,
- (c) nationalization and "profit-sharing" scares.

Carnegie seemed to know the Bank is thinking of 90¢ as the long-term forecast for copper and did not seriously dispute that rather conservative figure. He saw much higher prices in the short-run partly because speculators would run to commodities to hedge against inflation, partly because it was needed to get new projects started, old mines re-opened and thereby a more ample supply situation.

3. Carnegie also said he thought the development of the Ok Tedi mine in PNG was only a matter of time. He described it as 15 times as much ore as Bougainville; the world would need to open up that ore sometime in the next decade.
4. He felt investors, especially in the USA, were currently obsessed by deflation and political risks. They will soon begin to think beyond that of ways to fill resource needs. He foresaw inflation at 4-5% in the future compared to recent rises of 25 - 30% per annum in construction costs on some projects.
5. Carnegie described continued increases in Bougainville production in recent months. He also mentioned his company; investment in a new ball mill six months ago (about \$20 million) and a new lead/zinc mine under active consideration (probably \$100 million). He remained very bullish. The main problem he foresaw was in raising equity funds, since equity has been flooded by inflation and high-interest debt; this seemed to be more of a problem for other countries than his own, since

many projects require 50% instead of only 33% equity. He also described a \$750 million coal project and stressed the need for governments to allow tax holidays (and repayment holidays on their loans) over the first 5 years if financing was to be at all feasible.

6. Carnegie expressed great confidence in the future of PNG, praised Somare's political leadership and felt that this was only one factor contributing to political stability in the future. He feels the re-negotiated contract is very fair to both parties and the stabilization fund is a symptom of wise economic management. Somare handled separatists with great skill, resisting wilder voices who would have sent in troops. The younger leadership sees the advantage of a larger national unit and this view will grow over the next decade or two. Carnegie saw racial differences within PNG but expected unity to hold. He expressed great admiration for several ministers in Somare's Cabinet and considerable respect for able, young civil servants in the administration. The departure of expatriates was less serious than many feared a year ago. Carnegie welcomed Bank and IDA financial support for PNG.

7. Carnegie said he had a special fondness and respect for the Bank. When he finished two years at Oxford (1955-57), another two at the Harvard Business School (1957-59), he had thought about joining the Bank staff, but accepted an offer from McKinsey & Co. instead. He felt he may have worked harder but did not necessarily learn more from his time at McKinsey; in any case it had introduced him to the business world, and it seemed unlikely, he said good humoredly, that he would have a chance to join the Bank staff now!

cc: Messrs: Burmeister (2)
Fuchs
L. von Hoffman
Helmerts
Commodities Division (DPS)

GBVotaw:diw

OFFICE MEMORANDUM

TO: Mr. R.S. McNamara, President
 THRU: Mr. S. Kirmani, Acting Regional Vice President, AENVD
 FROM: G. Votaw, Director, AEADR
 SUBJECT: Visit of Mr. Red Carnegie from Australia

DATE: April 27, 1976

1. Mr. Red Carnegie, mining executive from Australia will meet with you on April 30, at 3:00 p.m. Following is some information which may be useful for your discussion.
2. Mr. Carnegie is the Chairman of several large Australian mining companies, including Conzinc Riotinto of Australia Ltd., the majority shareholder in Bougainville Copper Ltd., (attached please find Mr. Carnegie's C.V. and financial data on Conzinc Riotinto). Mr. Carnegie is in Washington for discussions with the U.S. Government on uranium deposits in Australia, their defense aspects, and how they might be made available to the United States. However, he is also very influential in the Australian Government, including their decisions on foreign aid, and might be interested in discussing Australia's contribution to IDA.
3. Because of his connections with the Bougainville mine, which has had trouble raising money internationally, Mr. Carnegie may bring up the subject of PNG's creditworthiness. The PNG Government has been informed of the Bank's positive decision on this matter by Mr. Bell.
4. Mr. Carnegie may wish to discuss copper mining in PNG. In case the subject arises, the following paragraphs summarize the state of copper mining activities in PNG:

a. Bougainville

The Bougainville Copper Mine (estimated deposit of 900 million tons ore averaging 0.48% copper) came into full production in 1972, a time of strongly rising world copper and gold prices (the Panguna ore contains significant amounts of gold and minor amounts of silver), under an agreement containing significant financial incentives for the company. Prices reached an all-time high in April 1974. As a result, Bougainville Copper Ltd., (BCL) reported a profit of A\$158.5 million for 1973 and paid out over A\$80 million in cash dividends. These figures compared with a paid-in capital of A\$134 million (the project was two-thirds financed by debt). These windfall profits caused a sensation and led the Government to request a re-negotiation of the Agreement. The Government secured expert outside advice in conducting these negotiations, which, while hardly welcomed by the company, were finally accepted in the face of strong Government pressure and a political context entirely different from that which had existed in 1967. Today, Government-BCL relations are good.

Mr. R.S. McNamara

April 27, 1976

The new Agreement did away with the tax holiday, accelerated depreciation, and the exemption of 20% of earnings from copper sales included in the original agreement. It established the company's right to earn a 15% return on its total investment before paying anything more than standard income tax, and established an incremental tax rate of 70% on earnings above 15%. The new Agreement took effect from January 1, 1974, and provided for a review after seven years on the request of either party. In 1974 BCL earned A\$181 million before taxes. Under the new Agreement it paid over A\$66 million in PNG income taxes. It also paid cash dividends of nearly A\$74 million, thus returning to stockholders their total investment, plus a return of 16.5% within about two-and one-half years of the start of production (the Government itself holds 20% of the total shares). At current copper prices, the revised Agreement is worth an estimated A\$300 million to the PNG Government over the next five years (the mine has an estimated life of 30 years on presently proven reserves).

b. Ok Tedi

The Ok Tedi copper deposit on the West Irian border is approximately the same scale as Bougainville, but located in even more difficult terrain. Although one major U.S. firm rejected (for internal company reasons) the terms offered by the Government, the latter subsequently negotiated complete agreements with three other potential investors (two of whom are expected to join together). We understand that Broken Hill Pty., has signed a contract with the Government. Drilling is now being carried out by the Government's Ok Tedi Development Company. As a result of the very different terrain, high infrastructure investments will be required. These investments demand an ore body of 200-210 million tons of 0.9% copper to make this project profitable. It is Government policy that infrastructure be provided by the mining company. Production could start in 1983 at the earliest. The Government plans to retain 20 to 25% ownership in the mine.

c. Frieda River

A Japanese Consortium will spend K 5 million (US\$ 6.4 million) over the next five years for drilling. An estimated 500 million tons of 0.5% copper are needed for a profitable mine; so far, 350 million tons have been proved. A major problem will be the high cost of infrastructure, which (as mentioned above) the Government expects will be provided by the companies involved.

d. Yandera

Yandera is the only other copper prospect advancing at present. An Australian company has found 160 million tons of 0.45% copper, out of an estimated 200 to 300 million tons necessary for profitability. The site of the prospective mine is close to existing infrastructure, so capital costs would be less than for Ok Tedi or Frieda.

Attachments

LHelmers/AGalenon:bf

R. H. Carnegie - Chairman and Chief Executive,
Conzinc Riotinto of Australia Ltd.

Mr. Carnegie is Chairman & Chief Executive of Conzinc Riotinto of Australia Limited, succeeding Sir Maurice Mawby. He is also a Director of the Rio Tinto-Zinc Corporation Ltd. and of the Australian companies of the Group including Hamersley, Comalco and Australian Mining and Smelting.

Mr. Carnegie, who was born and educated in Australia, earned a B.Sc. in physics at Melbourne University, an M.A. degree at Oxford University and an M.B.A. at Harvard Business School.

Mr. Carnegie was previously a Director of McKinsey and Company, a leading international management consulting firm, with whom he worked for over ten years. During his career with McKinseys, Mr. Carnegie worked with major companies in the U. S. A. and England.

Mr. Carnegie joined CRA in 1970 as Executive Director; in 1971, he was appointed joint Managing Director; in 1972 he was appointed Managing Director and Chief Executive and has been Chairman and Chief Executive since 1974.

CONZINC RIOTINTO OF AUSTRALIA LTD.

(Incorporated December 17, 1959, in Melbourne, Australia, as Rio Tinto Mining Co. of Australia Pty. Ltd., named changed July 16, 1962.)

Directors—R. H. Carnegie, Chairman & Chief Executive; F. F. Esrie, Deputy Chairman; R. T. Madigan; Sir J. N. V. Duncan; F. S. Anderson; A. J. Rew; J. M. Rodd; J. T. Ralph; Sir M. A. E. Mawby; Sir R. Clarke, Bt.
Secretary and Registered Office—R. J. Knott, 95 Collins Street, P.O. Box 384D, Melbourne, 3001, Australia. Telegrams: Conrio. Telex: AA30108. Phone: 63-0491.

Business—Mineral exploration, mining management, and investment company.

Principal interests of the company include Hamersley Holdings Ltd. (54%), Comalco Ltd. (45%), Australian Mining and Smelting Ltd. (73.5%), Bougainville Copper Ltd. (53.6%), Blair Athol Coal Pty. Ltd. (57%), IOL Petroleum Ltd. (53.4%), Mary Kathleen Uranium Ltd. (51%).

Capital—\$225,000,000 in 288,505,424 ord. and 161,494,576 unclassified shares of 50 cents each; 288,505,424 ord. shares issued and fully paid. Rio Tinto-Zinc Corp'n. Ltd. holds 80.65% interest.

Increased in November, 1966, from \$A40,000,000 to \$A60,000,000 by creation of 40,000,000 new shares of 50 cents each and the sum of \$A9,166,037 from share premium reserve capitalised and applied in paying up in full 18,332,075 ord. shares of 50 cents each which were distributed to shareholders in the proportion of three ord. shares for every ten ord. shares held. For previous alterations in capital, see vol for 1965.

At the end of 1968, a 3-for-ten bonus issue was made by capitalising \$11,939,870 from share premium account. A rights issue of 2,069,577 shares was made in April 1969 in the proportion of one new share for each 50 held at \$14 per share. (C.R.A. Holdings Pty. Ltd., the major shareholder, made available to public shareholders two such rights for every 25 shares held, at \$2 per right, representing a total of 1,234,593 shares of the issue.)

Increased Oct. 1970, from \$A60,000,000 to \$A125,000,000 by creation of 100,000,000 new shares of 50 cents each; \$15,832,264 from share premium reserve capitalised and applied in paying up in full 31,664,527 shares which were distributed to shareholders in the proportion of three shares for every ten shares held.

A rights issue of 7,039,734 shares was made Nov. 1970, in the proportion of one new share for each fifteen held at \$10 per share payable in two equal instalments, Nov. 1970 and Aug. 1971. C.R.A. Holdings Pty. Ltd. took up 1,625,736 shares of the issue and renounced rights to 3,460,398 shares at \$1 per right in favour of Australian shareholders in the proportion of three shares for every fifteen shares held.

Capital increased by 200,000,000 shares in Sept. 1973 and one-for-one bonus issue of shares made out of share premium account.

Dividends—paid to public shareholders out of tax exempt funds—For 1966, 7 on old capital and 9 on new capital; 1967, 16; 1968, 16; 1969 to 1972, 20 each year; 1973, 25; 1974, 25.

Accounts—(Australian currency)—For year ended Dec. 31 1974, submitted April 21 1975, consolidated net profit \$81,634,000 after providing \$127,056,000 taxation and \$72,648,000 outside shareholders' interest in subsidiaries; adding \$143,744,000 balance (restated) brought forward, \$1,380,000 unappropriated earnings of former associate, now a subsidiary, and \$75,000 transfer from reserves, less \$36,063,000 for dividends, made \$190,770,000 which was transferred to revenue reserves; current assets \$549,171,000, investments in associated companies \$34,125,000, other investments \$36,381,000; current liabilities \$367,683,000, long-term debt \$418,013,000, minority shareholders' interest in subsidiaries \$285,118,000, Capital reserves \$77,915,000 (inc. \$35,882,000 share premium), Revenue reserves \$209,548,000, Provision for deferred tax \$136,915,000, exchange fluctuation \$11,457,000.

The shares are listed on the Associated Stock Exchanges of Australia and in New Zealand, and dealings on the London Stock Exchange are allowed under Rule 163 (1) (c).

Memorandum for the Record

From: Bernard R. Bell

BRB

July 27, 1976

Subject: Meeting July 22, 1976--Mr. McNamara and Mr. Andrew Peacock,
FOREIGN Finance Minister of Australia

On Thursday, July 22, Mr. Andrew Peacock, ^{FOREIGN} Finance Minister of Australia, accompanied by two members of his staff, called upon Mr. McNamara. Mr. Bell was also present. The following is a brief summary of the conversation.

Mr. Peacock expressed his pleasure about the fact that the Bank was prepared to do a modest amount of Bank as well as IDA lending to Papua New Guinea. Mr. McNamara indicated that Papua New Guinea was a marginal case so far as creditworthiness for Bank loans was concerned and we had some doubt that the Papua New Guinea Government was correct in believing that the Bank's decision would, in fact, influence the thinking of other possible sources of capital. Mr. Peacock indicated that he rather shared the view of the Papua New Guinea Government on this matter. Mr. McNamara added that while we in no sense expected a guide pro quo, we did very much hope that the Australian Government attitude with respect to the Fifth IDA Replenishment would now be much more positive than it has been in the discussions on this matter to this date. Mr. Peacock said that he fully shared this hope, not only with respect to the IDA Replenishment, but with respect to the total Australian development aid program. He himself was working hard to get the Government to increase rather than to reduce its foreign assistance program and specifically also its contribution to the Fifth IDA Replenishment. He faced very serious obstacles in that the Government believed that significant reductions in its total expenditure program were required by the present economic situation of Australia and also in the fact that the Treasury Department was totally unsympathetic to programs of foreign assistance. He had managed to overcome Treasury Department objections in concluding the five-year agreement to provide approximately \$200 million per year as a grant to Papua New Guinea but this had not been easy.

Mr. Peacock said that he was following a course of continuous gradual persuasion of the Prime Minister that Australia's foreign aid program and its contribution to IDA should be generous. He felt reasonably confident that over a period of some months, he would be successful.

July 27, 1976

Mr. Peacock said he understood that Mr. McNamara wanted to visit Australia following the Annual Meetings in the Philippines. Mr. McNamara said that he had no such plans and had not expressed this desire although he was entirely prepared to visit Australia whenever it would be useful for him to do so. Mr. Peacock said that he did not think that October would be an appropriate time but that it was possible that a visit would be useful near the end of the calendar year. He said that he would be in communication with Mr. McNamara and would let him know when he thought a visit was desirable.

cc: Mr. McNamara's Office
Mr. Goodman

BRBell:mjd

July 21, 1976

Mr. McNamara:

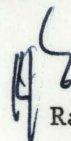
Visit of the Australian Minister for Foreign Affairs

I attach a brief, focused mainly on IDA 5, as background to your meeting later this week with Mr. Peacock. I should like to add a few points, based partly on discussions with Bruce Cheek and Duke Merriam, who has just returned from Australia.

Andrew Peacock is well disposed towards the Bank Group and regards himself as a friend of yours. However, the Treasury, largely under the influence of Deputy Secretary John Stone (Executive Director 1967-70), is cool to foreign aid and does not regard the replenishment of IDA as a high priority. John Stone is one of the more controversial figures in Canberra, and many people, including the Secretary of the Treasury, would like to get rid of him. However, for the present he is extremely influential. John Bushnell met with him after the ADB Annual Meeting this spring, and they are understood to have agreed that the Bank needed to be cut down to size, that it was more important to build up the regional banks, and that the IDA replenishment target is much too high.

The official attitude to IDA, even in the aid agency, is colored by the poor image of India. There is widespread opposition among civil servants and politicians to aiding India.

On the other hand there is a good "constituency" for aid among voluntary agencies, as evidenced by the attached advertisement and the rather defensive reply sent by the Prime Minister to those who responded to it. The Primate of Australia (that is, the head of the Episcopal Church) protested personally to Mr. Fraser about the proposed cut in Australia's aid program. Andrew Peacock believes that this constituency could be mobilized in support of IDA, and that a visit by yourself, with exposure on TV, etc. would be helpful. He will invite you to come to Australia, possibly in the month of November, after the U.S. elections. If such a visit can be fitted in with your plans, I too believe it would be helpful.



Raymond J. Goodman

cc: Mr. Knapp

17

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (thru Mr. Wm. Clark)

DATE: July 28, 1976

FROM: John F. Merriam

SUBJECT: Request for Interview: Ms Gay Davidson of the Canberra Times

Ms Gay Davidson, political editor of the Canberra Times is visiting Washington in the party of Prime Minister Fraser. She is interested in having an interview with you on the theme "How Does the World Bank Deal with the Problem of Raising Money in the Rich Countries." A list of her questions is attached.

I would urge that you give her fifteen minutes or so early next week. She is acquainted with the ground rules, and will clear back quotes.

Ms. Davidson is one of the few women in Australian journalism and one of the few who is interested in the problem of development. She is interviewing Sir John Crawford while she is here, since she has found that his work in CGIAR is not sufficiently wellknown in Australia. She is keenly aware (as I am since my recent trip there) of the Australian public's lack of awareness of these issues. Her husband, Ken Davidson, is Economics Editor of the Melbourne Age, regarded by professionals as Australia's most influential newspaper.

Ms. Davidson is keenly aware that there are conflicts in Canberra over ODA flows between the Treasury Department (as represented by John Stone) and the Foreign Affairs Department (as represented by Mr. Peacock) and others. She understands that you would not want to get into any discussion of personalities. Her bias is very much in favor of aid. She is generally pro-Whitlam and anti-Fraser. Her husband is a strong Labor Party man.

We need to do more in Australia to gain public attention. Even the Australian Aid Agency (AIDA) people in Canberra urged me to do more in this way. The Canberra Times, while small, is highly influential in government circles, and its Editor is the only one in Australia who regularly features development news. The Canberra press corps is easily the most politically sensitive in the country.

I would hope that Ms. Davidson's article based on an interview with you can provoke other writers to take up the aid issues. My impression in meeting scores of journalists in Australia earlier this month, is that local journalism suffers from a case of isolationism much greater even than in the United States. If Australia is to be shaken out of its lethargy it will have to be done by building on the small cadre of journalists and the rather effective aid lobby led by AFCOA (the Australian Council for Overseas Aid) to try to overtake the Simonesque attitudes of Mr. Stone.

Ms. Davidson will be available Monday and Tuesday next week.

Attachment

JEM:rgw

I wished to speak to this but here it is. I hope you can decide. She is a good character, to whom I've talked.

MEMORANDUM FOR THE RECORD

Meeting with Mr. Ingram, Head of the Australian Aid Bureau, September 13, 1977

Present: Messrs. McNamara, Johnston and Ingram

Mr. Ingram's visit was basically a courtesy visit.

Mr. McNamara took the occasion to talk about the Board discussion on the same day of the Prospects, Trade and Debt papers. He said that the discussion had been very constructive and illuminating. It was too narrow to look upon the Bank as only a capital transfer organization. If the capital transfers were to be used wisely, appropriate policies, both in developed and in developing countries, were required. He had been pleased to see how willingly most LDC Directors had accepted the need for internal changes in LDC policies and had asked for specifics on this. He stressed, however, that the Bank's role in the noncapital transfer field was mainly to fill the gap left by other institutions. Commodity stabilization, for instance, had not been discussed in the three papers since this was a matter for UNCTAD.

Mr. Ingram said that the World Bank in many ways set the pace in the aid field and established the models which the bilateral programs could use. Mr. McNamara said that the Bank was far from perfect and there were many development problems for which we did not know the solution. He specifically mentioned the population problems in Brazil and Indonesia.

Mr. Ingram asked how the Human Rights discussion had influenced the Bank. Mr. McNamara said that the World Bank was not the right institution to be the focus of a Human Rights discussion. The UN would be a much better forum. The problem was, however, a very real one for the Bank since it influenced U.S. legislators.

Mr. Ingram said that the IDAV bill had been passed by the Australian Parliament. Bridging arrangements had not been provided but this could be done at short notice.

cc: Mr. Vibert

SB
September 14, 1977

MEMORANDUM FOR THE RECORD

Meeting with the Australian Delegation, September 27, 1977

Present: Messrs. McNamara, Husain, Lynch, Wheeler, J.D. Moore, J.C. Ingram,
A. Hay and Johnston

The meeting was basically a courtesy visit. Mr. McNamara thanked the Australians for support on the bridging arrangement for IDA and urged the Australians to support an early decision on a capital increase for IBRD. Australian representation might become an issue under such a capital increase. If it did, Mr. McNamara would favor increasing the number of seats to 21 rather than to force anybody out of the Board. The Australians enquired about IDA allocations for ASEAN countries. Mr. McNamara said that we were planning IDA allocations for the Philippines and Indonesia.

SB
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cc: Mr. Vibert

SB
September 14, 1977

OFFICE OF PRESIDENT

Meeting with Australian Delegation, September 27, 1978

Present: Messrs. McNamara, Finance Minister Robinson, Wheeler, Ingram, Daniel, and Johnston

Mr. McNamara said that the Bank was grateful for all the support received from the Australian Government. A formal agreement on an IBRD capital increase had to be reached by early next year. There was broad support for a \$30-\$40 billion increase which would enable commitments to grow by 5% in real terms per year. As to IDA VI, a meeting of deputies would be convened by December of this year. Because of the difficulties faced in the U.S., strong support from other countries for a substantially increased replenishment was required. Mr. Robinson said that his Government would be fully supportive of the IBRD capital increase and the IDA replenishment. It would also subscribe to the IFC capital increase with some delay. Mr. McNamara said that IFC had made substantial progress under the very capable management of a Pakistani national. However, IFC should better illuminate the contribution to be made by the private sector. Australia's delay of one year in subscribing to the IFC capital increase posed no problem.

In response to a question, Mr. McNamara said that this year's Annual Meeting deliberations were going well. He was particularly impressed by the LDCs' willingness to accept the hard messages, e.g., the efforts required from them in raising domestic savings. India, for instance, had stated that 95% of its investment program had to be financed through domestic savings. Mr. Robinson said that Mr. McNamara had received considerable press coverage in Australia for his slap at Australia for its protectionism. Mr. McNamara said that the problem of designing adjustment processes in the industrialized countries had not yet been satisfactorily addressed. Mr. Robinson said that there was great awareness of the protectionism issue among the members of the Australian Cabinet.

Mr. McNamara said that he was delighted that Australia was taking a more active regional interest. Indonesia, with its huge population, was right at the Australian doorstep. Mr. Robinson replied that his Government tried to do more to support the development of its neighbor countries. Very important long-term security aspects were involved.

cc: Mr. Knapp

CKW
September 29, 1978

OFFICE MEMORANDUM

TO: Files

DATE: January 3, 1979

FROM: Ernest Stern, Vice President, Operations

SUBJECT: Meeting between Mr. McNamara and
Australian Prime Minister (J.M. Fraser)

Other Participants: Mr. Peacock, Minister, Foreign Affairs
Mr. John Stone, Secretary, Treasury
Mr. R. Johnson, Executive Director, World Bank
Mr. I.P.M. Cargill
Mr. E. Stern

1. The Prime Minister reported briefly on the Jamaica Meeting. A wide range of opinions had been represented and the exchange of views had been mutually beneficial. He had been pleasantly surprised at the realism of the LDC members and their awareness of the impact of the economic problems in the OECD countries. Mr. McNamara confirmed that there was greater realism in the LDCs both about the international economy and about the importance of domestic policy change to stimulate development. On trade the Prime Minister expressed disappointment at the slow progress of negotiations and the meager results. He stressed the growing importance of non-tariff barriers which were hardly dealt with in the negotiations. Mr. McNamara agreed but noted that one important contribution of the negotiations was to preempt greater governmental response to the strong and growing protectionist pressures. It was important to conclude the trade negotiations on a positive note and then build on the results. In the US and elsewhere the growing interdependence of world markets was being understood with greater clarity. The Prime Minister noted the importance of LDC markets for Australia. He went on to say that Chancellor Schmidt had agreed to the Common Fund at Jamaica and only "technical problems" remained. The Chancellor's proposal for a global stabex would also be pursued and might be a helpful element in completing negotiations for the Fund. The US and Australia had agreed to jointly prepare papers on the remaining outstanding issues which he thought could be resolved before Manila. Later, when the conversation turned again to these subjects, Mr. Stone strongly commended the WDR for its contribution to the international discussion and Mr. Peacock stressed the importance of making the WDR an annual exercise.

2. On Bank matters the status of IDA VI and Bank capital were reviewed. Mr. McNamara noted that a general consensus seemed to be emerging on a \$12.5 billion as a minimum figure for the IDA replenishment. The next meeting would be in March. On Bank capital a doubling had been proposed. In both cases actual payments would be stretched out over many years. In the case of IDA payments would be required over 10 years; in the case of Bank capital the maximum amount to be paid in would be 10 percent. These amounts would therefore be small and not due till FY82-84. In response to the Prime Minister's question as to what action was required of the Australian government Mr. McNamara urged a) support for a doubling of the

capital in next week's Board discussion and b) support for a \$12.5 billion IDA. The Prime Minister expressed his general support for both but his entourage evaded his questions on where the decisions stood in the Australian government. He therefore was unable to comment on the specifics, though he seemed inclined to do so. He did express doubt about the importance of Australia joining the leadership group on a \$12.5 billion IDA in terms of impact on the decision of the US and others. Mr. McNamara explained the crucial role the Dutch, Canada and Kuwait had played in the IDA V replenishment and urged the Prime Minister not to underestimate the role of middle-size OECD members in collective decisions. He hoped Australia would, at the March meeting, join the UK, the Dutch and others who had already announced support for an IDA of \$12.5 billion or more.

3. Mr. Peacock enquired about Bank lending for energy and there was a brief discussion of the proposal for an expanded program now before the Board. The Prime Minister noted Australia's work on alternative sources of energy and their willingness to share research results with us. He went on to note Australia's interest in potable water, particularly in rural areas. A good deal of research on low cost potable water supply is being done in Australia and he asked whether we could support such research. Mr. McNamara expressed great interest, noting the great importance of potable water to health. Our support could probably best take the form of involving Australian researchers in the development of projects in developing countries. Mr. McNamara promised to check whether our technical staff was in touch with the Australian work and to consider how it might be utilized in Bank projects.

4. There was a brief discussion about Bank operations in the ASEAN region. Mr. McNamara noted that most of the countries were large borrowers from the Bank and our involvement--both financial and technical--was substantial. He invited comments on our operations in the area. The Prime Minister responded by saying that he had not heard any complaints about Bank operations--quite the contrary. He noted, and Mr. McNamara agreed, that the extent of our operations in these countries was made possible because they were effective in helping themselves. The Prime Minister also stressed the importance of Indonesia in this context. Indonesia was the leader in ASEAN and its influence was great. It already lagged behind the others and its future problems are great. It was politically important to assist Indonesia accelerate its rate of growth so that it does not lag further behind its partners. In that context both the population problem and the need for improved domestic policies was noted.

5. In conclusion, the Prime Minister noted that the principles and objectives of the Australian government were very much the same as those pursued by the Bank. A continuation of a strong institution was essential.

Fraser - Aus Pay - 1/3/79

The World Bank

Fundamental Prog	<u>60</u>	<u>75</u>
Life expectancy L	36	44
AS	49	58
OECD	70	75

But 800m of 26 living on margin 1 line in AP

2 western OECD facing low rates of growth 4.2%

and POP continuing to grow: LDC 1.2 2.1 3.6

Help them help themselves by:

Helping them to earn more for ex. them
reducing barriers to trade & privi

+ man. prod. - effort

Assisting in raising exp

for poorest then 100 as 27 GNP - 120

for mid-inc by expanding access

+ capital - 1800 of inc

by inc rates of GNP growth

+ by raising productivity of low prod elements
of society, particularly rural poor

You have initiated unpop. policies to deal with
Aus econ hubs, LDC govt must be helped
when they are willing to take the unpop. steps of
raising savings by reducing sub + inc taxes

∴ Dec. 5 1890
Drawing 7. Total net 2k
14.56 1890 I March 27

Fik

IDA5 AND IDA6 CONTRIBUTIONS
(in millions)

	Reporting System for ODA	IDA5				IDA6			
		Local Currencies	US\$ (10/16/78)	Negotiated % Share (3/14/77)	% Share (10/16/78)	Local Currencies	US\$ (10/16/78)	% Share	
Australia	Calls	133.8	155.8	1.91	1.80	213.2	248.3	1.91	
Austria	Mixed a/	844.3	61.6	.65	.71	1158.1	84.5	.65	
Belgium	Deposits	4582.0	154.8	1.62	1.79	6233.6	210.6	1.62	
Canada	Deposits	470.8	398.1	5.83	4.61	737.9	624.0	4.80	-1.03
Denmark	Calls	515.2	98.9	1.14	1.14	771.9	148.2	1.14	
Finland	Deposits	156.2	39.4	.53	.46	273.3	68.9	.53	
France	Deposits	2063.4	482.4	5.38	5.59	2724.4	637.0	4.90	- .48
Germany	Calls	2006.9	1073.2	10.91	12.42	3014.4	1612.0	12.40	+1.49
Iceland	n.a.	421.2	1.4	.03	.02	1191.0	3.9	.03	
Ireland	n.a.	5.0	9.9	.11	.11	7.2	14.3	.11	
Italy	Deposits	262307.9	320.1	3.85	3.71	362222.3	442.0	3.40	- .45
Japan	Deposits	223462.8	1200.1	10.30	13.90	297733.3	1599.0	12.30	+2.00
Korea	n.a.	484.0	1.0	.01	.01	629.2	1.3	.01	
Kuwait	n.a.	51.9	190.9	2.34	2.21	82.7	304.2	2.34	
Luxembourg	n.a.	132.4	4.5	.05	.05	192.5	6.5	.05	
Netherlands	Calls	540.8	265.3	2.82	3.07	795.0	390.0	3.00	+ .18
New Zealand	Calls	8.0	8.5	.10	.10	12.2	13.0	.10	
Norway	Deposits	423.7	85.1	1.05	.99	905.6	182.0	1.40	+ .35
Saudi Arabia	n.a.	1235.5	373.8	4.56	4.33	1959.2	593.8	4.56	
South Africa	n.a.	8.7	10.0	.12	.12	13.6	15.6	.12	
Spain	n.a.	1444.5	20.5	.27	.24	2476.8	35.1	.27	
Sweden	Deposits	1239.1	286.0	3.82	3.31	1689.5	390.0	3.00	- .82
U.A.E.	n.a.	200.0	51.6	.66	.60	332.8	85.8	.66	
United Kingdom	Calls	473.9	936.7	10.62	10.84	697.1	1378.0	10.60	- .02
United States	Calls	2400.0	2400.0	31.22	27.79	3770.0	3770.0	29.00	-2.77
Yugoslavia	n.a.	149.0	7.9	.11	.11	268.3	14.3	.11	
New Donors							130.0	1.00	+1.00
TOTAL			8637.6	100.00	100.00		13000.0	100.00	

a/ For budgetary purposes, Austria reports IDA payments on a calls basis and Regional Bank payments on a deposit basis. The Austrian authorities felt that IDA5 note deposits were too large to be absorbed in the aid budget.

P & B
11/10/78

Table 2

VI. FLOW OF OFFICIAL DEVELOPMENT ASSISTANCE: PATTERN FOR DAC DONORS a/
(Calendar Years, US\$ million and % of GNP)

	1965-67 Average	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Australia													
Multilateral	12	12	71	67	78	86	90	98	120	125	168	185	208
Bilateral	122	190	436	318	349	424	509	591	666	764	825	922	1027
Total	134	202	507	385	427	510	599	689	786	889	993	1107	1235
Multilateral as % of GNP	.05	.04	.08	.08	.08	.08	.07	.07	.07	.07	.08	.08	.08
Bilateral as % of GNP	.51	.55	.52	.34	.37	.38	.40	.41	.42	.43	.42	.42	.42
Total as % of GNP	.56	.59	.60	.42	.45	.46	.47	.48	.49	.50	.50	.50	.50
Austria													
Multilateral	5	7	14	18	31	36	45	50	54	58	75	79	84
Bilateral	8	4	50	30	87	110	124	146	172	203	216	256	277
Total	13	11	64	48	118	146	169	196	226	261	291	335	361
Multilateral as % of GNP	.05	.04	.04	.05	.06	.06	.07	.07	.07	.07	.08	.07	.07
Bilateral as % of GNP	.08	.03	.13	.07	.18	.20	.20	.21	.22	.23	.22	.23	.23
Total as % of GNP	.13	.07	.17	.12	.24	.26	.27	.28	.29	.30	.30	.30	.30
Belgium													
Multilateral	10	28	126	111	108	179	174	188	219	231	275	326	343
Bilateral	79	92	252	229	261	302	389	476	556	678	783	862	982
Total	89	120	378	340	369	481	563	664	775	909	1058	1188	1325
Multilateral as % of GNP	.06	.10	.20	.17	.12	.19	.16	.16	.17	.16	.17	.18	.17
Bilateral as % of GNP	.43	.36	.39	.34	.34	.31	.37	.40	.42	.46	.48	.47	.48
Total as % of GNP	.49	.46	.59	.51	.46	.50	.53	.56	.59	.62	.65	.65	.65
Canada													
Multilateral	36	78	268	358	517	452	510	622	639	643	857	877	893
Bilateral	125	268	612	529	477	618	709	737	905	1109	1097	1302	1536
Total	161	346	880	887	994	1070	1219	1359	1544	1752	1954	2179	2429
Multilateral as % of GNP	.06	.09	.17	.19	.27	.22	.23	.25	.23	.21	.25	.23	.21
Bilateral as % of GNP	.22	.33	.38	.27	.24	.31	.31	.29	.32	.35	.31	.33	.35
Total as % of GNP	.28	.42	.55	.46	.51	.53	.54	.54	.55	.56	.56	.56	.56
Denmark													
Multilateral	11	22	94	97	111	137	153	174	194	215	246	270	297
Bilateral	9	37	111	117	147	201	234	268	310	353	384	430	481
Total	20	59	205	214	258	338	387	442	504	568	630	700	778
Multilateral as % of GNP	.10	.14	.27	.25	.26	.27	.27	.28	.28	.28	.29	.29	.29
Bilateral as % of GNP	.08	.24	.31	.31	.34	.40	.43	.44	.46	.47	.46	.46	.46
Total as % of GNP	.18	.38	.58	.56	.60	.67	.70	.72	.74	.75	.75	.75	.75
Finland b/													
Multilateral	-	6	21	22	22	32	37	37	45	46	56	69	70
Bilateral	-	1	27	29	27	20	25	36	39	52	53	51	63
Total	3	7	48	51	49	52	62	73	84	98	109	120	133
Multilateral as % of GNP	-	.05	.08	.08	.08	.10	.11	.10	.10	.09	.10	.12	.11
Bilateral as % of GNP	-	.01	.10	.10	.09	.07	.07	.09	.09	.11	.10	.08	.09
Total as % of GNP	.04	.07	.18	.18	.17	.17	.18	.19	.19	.20	.20	.20	.20
France													
Multilateral	35	103	303	300	356	498	548	545	634	654	756	896	935
Bilateral	739	868	1791	1846	2038	2404	2707	3092	3455	3915	4357	4799	5408
Total	774	971	2094	2146	2394	2902	3255	3637	4089	4569	5113	5695	6343
Multilateral as % of GNP	.03	.07	.09	.09	.09	.11	.11	.10	.10	.09	.10	.10	.10
Bilateral as % of GNP	.69	.59	.52	.53	.54	.53	.53	.54	.55	.56	.55	.55	.55
Total as % of GNP	.72	.66	.62	.62	.63	.64	.64	.64	.65	.65	.65	.65	.65
Germany													
Multilateral	52	133	528	340	353	658	530	658	735	837	1028	1153	1293
Bilateral	409	466	1161	1044	1033	1195	1542	1720	1991	2286	2447	2714	3010
Total	461	599	1689	1384	1386	1853	2072	2378	2726	3123	3475	3867	4303
Multilateral as % of GNP	.04	.07	.12	.08	.07	.11	.08	.09	.09	.09	.10	.10	.10
Bilateral as % of GNP	.34	.25	.28	.23	.20	.19	.22	.22	.23	.24	.23	.23	.23
Total as % of GNP	.38	.32	.40	.31	.27	.30	.30	.31	.32	.33	.33	.33	.33
Italy													
Multilateral	31	84	123	148	151	246	273	279	292	346	401	411	481
Bilateral	67	63	59	78	35	9	7	6	23	17	6	42	37
Total	98	147	182	226	186	255	280	285	315	363	407	453	518
Multilateral as % of GNP	.05	.09	.07	.09	.08	.11	.11	.10	.09	.10	.11	.10	.10
Bilateral as % of GNP	.10	.07	.04	.04	.02	.00	.00	.00	.01	.01	.00	.01	.01
Total as % of GNP	.15	.16	.11	.13	.10	.11	.11	.10	.10	.11	.11	.11	.11

2
TABLE. FLOW OF OFFICIAL DEVELOPMENT ASSISTANCE: PATTERN FOR DAC DONORS a/
 (Calendar Years, US\$ million and % of GNP)

	1965-67 Average	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<u>Japan</u>													
Multilateral	38	86	297	352	525	635	716	772	788	800	1168	1180	1215
Bilateral	267	372	851	753	899	1362	1677	2076	2491	3126	3293	3889	4545
Total	305	458	1148	1105	1424	1997	2393	2848	3279	3926	4461	5069	5760
Multilateral as % of GNP	.03	.04	.06	.06	.08	.07	.07	.07	.06	.05	.07	.06	.05
Bilateral as % of GNP	.26	.19	.17	.14	.13	.14	.15	.17	.18	.20	.18	.19	.20
Total as % of GNP	.29	.23	.23	.20	.21	.21	.22	.24	.24	.25	.25	.25	.25
<u>Netherlands</u>													
Multilateral	35	42	239	224	255	300	332	374	415	468	552	608	668
Bilateral	57	154	365	496	644	815	991	1138	1278	1409	1529	1698	1889
Total	92	196	604	720	899	1115	1323	1512	1693	1877	2081	2306	2557
Multilateral as % of GNP	.17	.13	.30	.25	.24	.24	.24	.24	.24	.25	.27	.26	.26
Bilateral as % of GNP	.27	.48	.45	.57	.61	.66	.72	.75	.76	.75	.73	.74	.74
Total as % of GNP	.44	.61	.75	.82	.85	.90	.96	.99	1.00	1.00	1.00	1.00	1.00
<u>New Zealand c/</u>													
Multilateral	-	3	16	10	10	12	13	14	15	16	24	27	30
Bilateral	-	11	50	43	42	44	46	48	52	59	64	70	78
Total	11	14	66	53	52	56	59	62	67	75	88	97	108
Multilateral as % of GNP	-	.05	.13	.08	.08	.07	.07	.07	.07	.06	.09	.09	.09
Bilateral as % of GNP	-	.39	.33	.33	.30	.26	.25	.23	.23	.24	.23	.23	.23
Total as % of GNP	.20	.23	.52	.41	.38	.33	.32	.30	.30	.30	.32	.32	.32
<u>Norway</u>													
Multilateral	9	22	82	112	130	168	187	216	240	264	317	345	375
Bilateral	4	15	102	106	165	200	250	289	341	403	443	513	594
Total	13	37	184	218	295	368	437	505	581	667	760	858	969
Multilateral as % of GNP	.12	.20	.29	.36	.36	.42	.41	.42	.41	.40	.43	.41	.40
Bilateral as % of GNP	.05	.12	.37	.34	.46	.49	.55	.56	.59	.62	.60	.62	.63
Total as % of GNP	.17	.32	.66	.70	.82	.91	.96	.98	1.00	1.02	1.03	1.03	1.03
<u>Sweden</u>													
Multilateral	30	54	193	206	293	316	337	412	434	458	572	592	612
Bilateral	22	63	373	401	486	505	572	603	711	820	840	969	1113
Total	52	117	566	608	779	821	909	1015	1145	1278	1412	1561	1725
Multilateral as % of GNP	.13	.18	.28	.28	.37	.37	.37	.41	.39	.37	.42	.39	.37
Bilateral as % of GNP	.10	.20	.54	.54	.62	.60	.62	.59	.63	.66	.61	.64	.66
Total as % of GNP	.23	.38	.82	.82	.99	.97	.99	1.00	1.02	1.03	1.03	1.03	1.03
<u>Switzerland</u>													
Multilateral	5	12	33	45	50	62	73	79	87	91	102	114	128
Bilateral	8	18	71	67	68	85	93	109	124	148	165	181	198
Total	13	30	104	112	118	147	166	188	211	239	267	295	326
Multilateral as % of GNP	.03	.06	.06	.06	.08	.08	.08	.08	.08	.08	.08	.08	.08
Bilateral as % of GNP	.05	.09	.13	.12	.11	.10	.11	.11	.11	.12	.12	.12	.12
Total as % of GNP	.08	.15	.19	.19	.19	.18	.19	.19	.19	.20	.20	.20	.20
<u>United Kingdom</u>													
Multilateral	54	48	297	254	359	422	453	538	620	707	924	1022	1137
Bilateral	427	399	566	581	545	687	794	868	980	1080	1052	1143	1235
Total	481	447	863	835	914	1109	1247	1406	1600	1787	1976	2165	2372
Multilateral as % of GNP	.05	.04	.13	.12	.15	.14	.14	.15	.16	.16	.20	.20	.20
Bilateral as % of GNP	.40	.32	.24	.26	.23	.24	.24	.24	.25	.26	.22	.22	.22
Total	.45	.36	.37	.38	.38	.38	.38	.39	.41	.42	.42	.42	.42
<u>United States</u>													
Multilateral	115	393	1066	1496	1249	1343	1460	1635	1751	1896	2485	2692	2946
Bilateral	3298	2657	2941	2838	2874	3481	3702	4137	4887	5756	6030	6783	7598
Total	3413	3050	4007	4334	4123	4824	5162	5772	6638	7652	8515	9475	10544
Multilateral as % of GNP	.02	.04	.07	.09	.07	.07	.06	.06	.06	.06	.07	.07	.07
Bilateral as % of GNP	.43	.27	.19	.16	.15	.16	.16	.16	.17	.18	.17	.17	.17
Total as % of GNP	.45	.31	.26	.25	.22	.23	.22	.22	.23	.24	.24	.24	.24
<u>Total DAC</u>													
Multilateral	475	1124	3770	4161	4599	5582	5931	6691	7282	7855	10006	10846	11715
Bilateral	5643	5667	9815	9506	10187	12462	14371	16340	18981	22178	23584	26624	30071
Total	6118	6791	13585	13665	14786	18044	20302	23031	26263	30033	33590	37470	41786
Multilateral as % of GNP	.03	.06	.10	.10	.10	.10	.10	.10	.09	.09	.10	.10	.10
Bilateral as % of GNP	.39	.28	.25	.23	.21	.23	.23	.23	.25	.26	.25	.25	.25
Total as % of GNP	.42	.34	.35	.33	.31	.33	.33	.33	.34	.35	.35	.35	.35

a/ Source: Figures through 1976 are from OECD/DAC. Preliminary estimates for 1977. Figures for 1978-85 are projections by Bank Staff. Projections for 1983-85 are based on the assumption that the ODA/GNP ratio achieved in 1982 will be maintained.

b/ Finland became a member of DAC in January 1975.

c/ New Zealand became a member of DAC in 1973.

Table 3

VIII. CONCESSIONARY FLOWS TO MULTILATERAL INSTITUTIONS BY DONOR COUNTRY a/
(Calendar Years; US\$ million)

AUSTRALIA

	1965-67 Average	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
CAPITAL SUBSCRIPTION PAYMENTS b/													
IBRD: c/ Past Increases			-0.1	4.8									
Selective Increase						2.0	2.1	2.1	2.1	1.1			
General Increase											26.0	26.0	27.0 = 79
IDA: d/ Payments For 1-4	6.4	3.2	25.4	20.1	22.3	20.0	13.6	8.9	6.2	4.2	2.5	0.8	-
5						6.1	13.3	23.5	28.9	25.7	18.4	12.5	9.0
6								2.4	7.5	20.7	36.8	44.9	40.0
7											3.5	11.4	31.3
IFC: e/						2.0	2.0	2.0	2.0	2.0			
Sub-Total Bank Group	6.4	3.2	25.3	24.9	22.3	30.1	31.0	39.8	46.7	53.7	87.2	95.6	107.3
IDB: Ordinary Capital													
Concessional Capital													
ADB: Ordinary Capital	12.8	14.0	3.0	7.4	14.7	6.2	6.2	-	10.6	3.5	3.5	3.6	5.3
Concessional Capital))	10.7	10.2	5.2	5.4	6.9	9.7	12.1	14.5	19.4	23.1	27.4
Other					5.9	5.8	5.9	6.0	7.1	7.3	7.9	7.7	8.0
TOTAL CAPITAL SUBSCRIPTIONS	9.2	7.2	39.0	42.5	48.1	47.5	50.0	55.5	76.5	79.0	118.0	130.0	148.0
GRANTS													
UN Agencies	2.5	4.9	26.6	16.4	17.3	23.5	25.0	27.5	28.0	30.0	32.0	35.0	38.0
EEC													
Other	-	0.3	5.0	8.2	12.5	15.0	15.0	15.0	15.5	16.0	18.0	20.0	22.0
TOTAL GRANTS	2.5	5.2	31.6	24.6	29.8	38.5	40.0	42.5	43.5	46.0	50.0	55.0	60.0
CONCESSIONAL LENDING													
TOTAL MULTILATERAL ODA	11.7	12.4	70.6	67.1	77.9	86.0	90.0	98.0	120.0	125.0	168.0	185.0	208.0
- As % of Total ODA	9	6	14	17	18	17	15	14	15	14	17	17	17
MEMO ITEM													
TOTAL MULTILATERAL ODA (CALLS BASIS)	11.7	12.4	70.6	67.1	77.9	86.0	90.0	98.0	120.0	125.0	168.0	185.0	208.0
KEY RATIOS													
Bank Group Subscriptions													
- As % of Total ODA	5	2	5	7	5	6	5	6	6	6	9	9	9
- As % of GNP	.03	.01	.03	.03	.02	.03	.02	.03	.03	.03	.04	.04	.04
IDA													
- As % of Total ODA (As Reported)	5	2	5	5	5	5	4	5	5	6	6	6	7
- As % of GNP	.03	.01	.03	.02	.02	.02	.02	.02	.03	.03	.03	.03	.03
- As % of Total ODA (Calls Basis)	5	2	5	5	5	5	4	5	5	6	6	6	7
MEMO ITEMS (Fiscal Years) f/													
IDA Cash/Note Deposits (\$m)	6.6	16.0	26.9	25.5	25.5	50.9	51.2	51.2	76.4	76.4	76.4	114.6	114.6
\$Am	4.9	14.3	20.3	20.3	20.3	44.6	44.6	44.6	66.6	66.6	66.6	99.9	99.9
IDA Calls (\$m) - 5						1.3	5.4	23.1	28.9	25.7	18.4	12.4	9.0
6									2.6	12.2	29.0	44.2	45.7
7												3.9	18.5

a/ Source: Historical figures through 1976 from DAC. Preliminary estimates for 1977. All other figures are projections made by Bank staff after consultation with IDB and ADB staff.

b/ Capital subscription payments are not reported uniformly by DAC countries. While some donors report cash/note deposits; others report draw-down of notes (calls). Capital subscription payments reported here reflect the reporting system used by the individual country. However, for comparison purposes, the memo item projects multilateral ODA adjusted so that capital subscription payments are based on calls.

c/ Assumes: (1) a Selective Capital Increase of about \$8.5 billion approved with 10% paid in and released over the five-year period FY78-82; and (2) an illustrative General Capital Increase of about \$40 billion approved in FY82 with 10% paid in and released over the three-year period FY83-85.

d/ Assumes: (1) contributions to IDA5 will total \$8,022 million, i.e. total pledges valued at exchange rates of 12/31/77; (2) IDA6 will be \$12 billion and IDA7 \$18 billion; (3) country shares in IDA6 and IDA7 will be the same as in IDA5 as of 3/14/77; and (4) all contributions to IDA5, IDA6 and IDA7 will be paid in three approximately equal annual installments, will be drawn pro rata, and IDA6 contributions will begin in FY81 and IDA7 in FY84.

e/ Assumes: Australia will participate in an IFC Capital Increase of \$480 million paid in and released over a five-year period.

f/ Projected using exchange rates of 7/14/78. Differences in dollar figures reported by DAC and by IBRD result from DAC's use of the annual average exchange rate and IBRD's use of the end-period rate for the quarter in which payment is made.

OFFICE OF THE PRESIDENT

Meeting with Mr. John Howard, Australian Treasurer, Belgrade, September 29, 1979

Present: Messrs. McNamara, Howard, Ingerics, Stone, Keany

Mr. McNamara said that he would like to discuss two matters: (i) a prompt vote on the General Capital Increase, which would cost the Australian Government no money because it would only authorize additional stock and constitute no financial commitment; and (ii) a sizeable contribution to IDA VI.

Mr. Howard replied that the Australian Cabinet had approved three days ago an Australian participation in IDA VI of 1.91% of \$12.5 billion. After thanking Mr. Howard for that decision, Mr. McNamara explained the problems which the Bank presently faced in the case of the U.S. because of an increasingly fragmented decision-making process in Government. In such a difficult situation, the Bank needed the moral and political support of other countries.

In response to a question by Mr. McNamara, Mr. Howard gave his evaluation of the economic situation of Asian countries. In his view, the Philippines were not quite as stable as other countries in the region because of internal social and political tensions. Australia had good political and economic relations with Indonesia; the recent increase in oil prices would help in financing the development plans of that country. As to PNG, the Australian Government still provided about 40% of the Government's budget resources. Japan was Australia's largest customer. He emphasized that Australia faced the same problems as the U.S. with respect to keeping an open trade environment, particularly as far as textiles were concerned.

Mr. McNamara enquired whether the Australian Government had any advice to offer to the Bank. Mr. Howard replied that he was still not familiar enough with the Bank's activities to offer such advice; this was the first Annual Meeting he attended. He considered the WDR to be a very good and useful document. He concluded that he did not envy Mr. McNamara's task of maintaining the enthusiasm of donor country constituencies for supporting the Bank. Mr. McNamara replied that one could show the benefits derived by the OECD nations from international aid, e.g., in the areas of food production and energy, but he agreed that assuring continued support for the institution constituted a constant battle because, under the impact of inflation and other economic problems, people in the OECD nations were turning their sights inwards.

Finally, Mr. Howard enquired about the possibility of losing the Australian seat on the Board. He considered it an important step that South Korea had been added to his constituency. Mr. McNamara agreed; it was highly unlikely that the Australian seat would be lost; nevertheless, he encouraged Mr. Howard to raise this issue with the Governments of the U.S., Japan and the European Community. In his view, an additional Board seat could be added if a problem emerged; however, some opposition was likely because of the precedent nature of such a step.

cc: Mr. Qureshi
Mr. Gabriel

CKW
October 19, 1979