Address to the Canadian Club of Montreal
by Eugene R. Black,
President of the World Bank
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Your invitation for me to speak here today was a most welcome one. The relations between the World Bank and Canada -- your financial community and your government -- have long been close and cordial. This opportunity to speak to the Canadian Club of Montreal in its Golden Jubilee year allows me to make a token repayment on the debt of gratitude which the Bank owes to the people of Canada.

The Bank has now been operating for nearly 10 years. Our aim has been three-fold: to help the peoples of the free world to increase their output of useful goods and services; to promote a higher volume and better balance of world trade; and to raise the standards of living in our member countries.
In pursuit of these aims, the Bank has now lent, for productive projects and programs, the equivalent of some 2½ billion dollars.

About two-thirds of this amount has been lent in what are called the underdeveloped areas of the world. If the globe consisted of 60 or 70 nations like Canada, there would be no need for a World Bank. You have great resources and an enormously productive economy here, a confidence that inspires you to invest in your own future, a way of doing things that attracts large amounts of investment from other countries. The way in which you are developing your country provides a model which many other nations might observe to their own benefit.

There is, however,
There is, however, only one Canada. And, apart from North America and Western Europe, our free world is a place where poverty is the rule rather than the exception, where perhaps two human beings out of every three are just beginning to glimpse what has been done elsewhere by modern methods of production, by modern science and modern medicine. The conditions of the underdeveloped peoples, the frustrations some of them feel with their present way of life, are sources of internal and international tension. They are one reason why world politics is so disturbed today, and why parts of the world offer such fertile soil for the seeds of violence and subversion.

The state of the
The state of the postwar world has been such that it has been necessary for free countries to associate themselves in common defence. But, if we are to get at some of the underlying causes of our postwar difficulties, there must also be international cooperation in the field of economics and finance. Canada has already given leadership in this field, first with an extensive program of overseas aid during the period of reconstruction in Europe; second, with the fund she is making available to the Commonwealth countries of south Asia under the Colombo Plan; and third, with the substantial and respected part she is playing in international organizations.

Canada is a vigorous
Canada is a vigorous partner in the World Bank. In fact, if I were to speak of personalities only, and not of finance at all, the Bank would still have a considerable debt to acknowledge. Through a succession of distinguished citizens, Canada has had an influential voice in our affairs from the beginning -- first, R. B. Bryce, Secretary of the Cabinet in Ottawa, then Graham Towers and Donald Gordon, and now, for the past six years, Louis Rasminsky, have been on our Board of Directors. The Secretary of the Bank, who is a sort of combined chief of protocol and man of all work, is a Canadian. And, in fact, of our staff of 475 men and women in Washington, one out of every nine is a Canadian.

Among our 58 member
Among our 58 member countries, Canada is geographically the biggest, and from a financial and industrial point of view, is one of the most important. When the Bank's charter was written in 1944, it was clear that some members expected to be borrowers for many years to come. Others expected, at least ultimately, to assume the position of creditors and, through the Bank, to provide the funds necessary for progress toward objectives in which they believed. This they could do in two ways: by letting the Bank make loans from their subscriptions to its capital, and by letting us raise additional money by selling bonds in their capital markets.

From the first,
From the first, Canada was a country to whom the Bank could look for material as well as moral support. When Canada joined the Bank, she paid in 65 million United States and Canadian dollars as her subscription to our capital stock. Of this amount, 58½ million was in Canadian dollars, and could be lent by the Bank only with the consent of the Canadian Government.

Beginning in 1948, Canada was one of the first countries to release any considerable amount of its own currency to the Bank for lending. Since May 1952, we have had the entire original Canadian-dollar subscription available for loans, in any of our member countries and on a convertible basis. While many of our European members have now
European members have now made releases to us on various conditions, it was the United States and Canada on which we relied almost entirely for subscribed capital during our first five years of life; and these are still the only two members whose currency we have on a completely convertible basis.

The Canadian capital market has also been a valuable source of finance to the Bank. We have floated three issues of bonds in your market -- in 1952, in 1954 and in March of last year. Last summer, at the premium called for in the sale agreement, we retired the first of these issues, seven years in advance of maturity.

We now have a balance
We now have a balance of $40 million worth of Canadian-dollar bonds still outstanding, and these securities are well known in your market. Canadian investors have also bought our United States dollar bonds. All in all, from capital subscription and from bonds still outstanding in Canada, we have had in the neighborhood of $130 million of loan funds from Canadian sources.

Now this money was made available as a matter of enlightened self-interest -- made available, I presume to think, because your business community and your government believe that the Bank is a business-like institution, and one whose activities in the world will be a constructive force bringing a general benefit to Canada as well as to the other members of our
members of our institution.

Nevertheless, it was not to be expected that your virtue would go without any specific reward. The Canadian industrial and exporting community has, in fact, directly benefited from the loans of the Bank. Up to now, our borrowers have chosen to buy in Canada more than $100 million worth of goods and services they need for projects we are helping to finance. The variety of what Canada has supplied gives remarkable testimony to the versatility of Canadian production. It has ranged all the way from railway locomotives and industrial equipment to a shipment of 300 pedigree cattle which just a couple of months ago left the port of Montreal on its way to Peru.

The Bank has made
The Bank has made 140 loans. Canadian suppliers have shipped goods under more than 40 of them, and Canadian equipment has done yeoman service on Bank-financed projects around the world. It has helped the bottlenecks in the railway systems that were strangling the economy of India five years ago; it has helped solve transportation problems in Australia and South Africa; it has helped increase supplies of electric power in Mexico and Brazil; and it is today working in 20 different countries. One of the largest contracts ever awarded for the purpose of a Bank-financed project is even now being filled by the Dominion Steel & Coal Company here in Montreal -- a contract for the supply of some 175,000 tons of rail for the 1,000-mile long Pacific Railway of Mexico.
Pacific Railway of Mexico.

Some Canadian exports under Bank loans have been financed with funds that originated in the United States, and some of these exports have been financed by the dollars that have been made available from Canada. But, in any case, of the bread you have cast on the waters, a considerable amount has come back. And it will keep on coming back.

Mr. Chairman, I hope that you and the members of the Canadian Club of Montreal will forgive me for dwelling at this length on the relationships between Canada and the Bank. But it is a constructive story, and one that I don't have the opportunity to tell as often as I would like.

Now, with your indulgence,
Now, with your indulgence, I should like to turn quite briefly to the way in which the World Bank does its job, and to those broader benefits that I think may accrue to Canada from economic progress in the less developed areas of the world.

First of all, let me tell you that the Bank is a business institution. We make loans for which private capital is not available, but we do not court unreasonable risks. The best evidence of that are these: first, our loans, without exception, are being repaid as due -- in fact, more than $100 million worth have been repaid well in advance. Second, our reserves, built up from earnings and commissions, are now over $200 million.

Our principal task,
Our principal task, in the underdeveloped countries, has been to help build up the kind of economic base which will make possible more production, more earnings and savings, and more capacity and opportunity to invest. Here in Canada, your transcontinental railway system and your extensive use of hydroelectric power resources have been vital to economic growth. It should come as no surprise to you, then, to learn that the Bank's biggest investments -- amounting to well over $1 billion, have been precisely in these two fields, of electric power and transportation services.

We have lent about a quarter of a billion dollars for industries basic to the development of particular countries -- as in the case,
as in the case, for instance, of our 31-million-dollar loan for the private production of iron and steel in India. We have lent another quarter of a billion for agricultural development. Finally, we have lent $140 million for development programs embracing several or all of these different kinds of development.

The Bank lends, in the normal course, for specific projects. We pick and test out those projects with a great deal of care. Both private and governmental applicants have come to know that they must show us some specific project or program of demonstrable usefulness. To find out how things stand, we visit the field and get our applicants to demonstrate to us how the project fits in with the rest of the economy,
of the economy, how urgently it is needed right now, whether it will satisfy a lasting need, or whether there are more important things on which outside capital could be used. We send our engineers and other technical people to see whether the project will actually work, to check specifications, construction plans, production costs, market prospects and any other matters that may affect the project. If necessary, as is not infrequently the case, we recommend changes in the project before we agree to go ahead.

From the first, the Bank had to be concerned with a good deal more than engineering designs. We are helping to finance undertakings of a kind or on a scale never before attempted in many of our member countries.
member countries. These, in their turn, often require not only new machinery and new skills, but also new kinds of organization and new formulations of policy. So the Bank, at the same time that it has lent for equipment, has given advice on the organization of authorities to administer ports and maintain highways; it has helped create new credit institutions, both public and private; it has assisted in the development of capital markets; it has assisted in the development of higher standards in the public administration of economic and fiscal affairs. The Bank, above all, has tried -- and with some success -- to instill the concept that governmental investment must be budgeted and directed toward realistic goals, and in such a way as to
in such a way as to support rather than obstruct private initiative and investment. (Egypt)

One of the Bank's chief aims is to stimulate private investment, and we are one of the chief vehicles for carrying private funds abroad. The sale of our bonds is one instrument for doing that; and at present, we have $860 million worth outstanding, in Canada, the United States and 25 other countries in both hemispheres. Another instrument is the sale of parts of our loans to other investors, who either buy from our portfolio or participate in the loans when they are made. These sales, which for some years past have been made without our guarantee, now amount to $225 million. Finally, we have on three occasions
have on three occasions in the past 14 months combined with the capital market in the United States to make loans for economic development. In the cases of Belgium, Norway and the Union of South Africa, we have made loans at the same time that these countries were selling public bond issues in the American market. The total of these transactions is $140 million, divided about equally between the market and the Bank. So, in all, the Bank has mustered something more than one billion dollars of private capital for international investment.

As many of you know, we are now establishing a new affiliate of the Bank, called the International Finance Corporation, to work directly with private investors to stimulate the growth of productive private enterprise,
enterprise, particularly in the less developed areas of the world. IFC will come into being when 30 countries, with capital subscriptions of at least $75 million, have accented its charter. As you would have expected and as we expected, Canada -- whose subscription to the Corporation's capital will be 3,600,000 U.S. dollars -- was the first major subscriber to complete the action necessary to membership in IFC.

IFC will do two things the Bank does not do: First, it will make loans without government guarantee. Second, it will not only make fixed-interest loans, as does the Bank; but it will also invest in more flexible types of securities designed to meet the needs of new or expanding businesses.
businesses. Naturally, IFC will try to sell off its holdings as soon as it can, in order to revolve its funds among as many projects as possible. The Corporation will not own common stock, nor will it take the responsibility for managing the enterprises in which it invests. What it will look for is experienced partners interested in developing new enterprises overseas, and prepared to invest in them their money and their skills. We hope very much to find some of those partners among Canadian firms with new or expanding overseas interests.

International investment has proved profitable to the Bank, and it is proving profitable to our member countries. Rather than talk to you in million-dollar figures and global terms,
and global terms, let me draw you one small but symbolic picture of how the process works.

One of the smallest of more than 50 projects financed by the Bank as part of both public and private power development programs in Mexico was to put 600-kilowatts of generating capacity into the town of Tecuala, near Mexico's west coast. The installation began operating in 1951. At about the same time, a paved road arrived to give Tecuala a better connection with the surrounding farm country. The sequel to these two events was little short of explosive.

In the next three years, the population of the town rose from 5,000 to 13,000.

The number of children
The number of children in school multiplied seven-fold; and for the first time, the adults of Tecuala, many of them illiterate, were able to have a night school. There is power now for the hospital and its first fluoroscope. The new electricity is powering two movie theaters, the town's first radio station and the presses of its first newspaper. The number of small factories and processing plants has grown from three to more than 30. Among other things, Tecuala now makes ice, corn meal, shoes and furniture. The community is making more, earning more, and is much better able to satisfy its hunger for products from the outside world. To cite only one instance, there are today more than a dozen stores
As another project in the development of electric power in Mexico, we financed generating equipment for an electric plant of 2700 kilowatts in the town of Ciudad del Carmen, a shrimp-fishing port of the Gulf of Mexico. This was Carmen's first dependable, 24-hour-a-day electric supply, and presented the first opportunity to make enough ice to fully protect the shrimp catch from spoiling. Nine deep freezing and ice manufacturing plants have now gone up in Carmen. A large shrimp canning factory has been built and is operating at a substantial profit. Seven small yards have come into operation to build more fishing boats. Two years ago, only an occasional tramp steamer called at Carmen to pick up shrimp -- today, modern refrigerator ships provide regular service from Carmen to Texas ports. Furniture plants and other small industries have begun to spring up. This town, which three years ago was almost literally in danger of drying up and blowing away, is now a busy and growing community. That is what a little electric power and a lot of private initiative have been able to do in Carmen.
than a dozen stores selling electrical appliances, as compared to none five years ago; and Tecuala is now a market for electric fans, electric irons, radios and refrigerators.

The implications of this story of economic development are, I am sure, transparently clear to this audience of Canadians. In the experience of the Bank, the example of Tecuala, with its better life and its growing market, can be multiplied thousands of times over, and in many different countries.

Up to now, the Bank has helped to finance enough power-generating capacity to serve an industrial and commercial complex as big as that of greater New York City. We have helped put new equipment on enough railways
enough railways and have helped build or rehabilitate enough highway and railway mileage to girdle the globe. The obvious effect of these and other projects is that in our member countries, there are more production, more earnings, and an ability to sell more and to buy more in world trade.

Now, as you well know, Canada engages in more international trade per head than any other country in the world -- and I cannot imagine any country that in an economic sense has a bigger stake in this process of economic development and growing markets. That is why I think Canada's participation in the World Bank is in the interests of all Canadians.

But beyond the sphere
But beyond the sphere of economics, I think that Canada has broader and equally compelling reasons to be concerned with economic progress in the rest of the world. For economics also relate to the question of peace or war.

Throughout the underdeveloped countries—which is to say most of the world—there is an intense yearning for better living. The pauper peoples are no longer content to live in poverty, for in this day of modern communications, they know what life is like elsewhere.

The condition in which many of these people eke out their existence is one of the chief threats to our own security. It is for international communism a source of support.
of support. It is for the free world a source of weakness, because it is one of the factors behind the violent quarrels that have broken out, and continue to break out, between nations that lie outside the Soviet orbit.

It is something more than coincidence, I think, that the trouble spots of recent years -- parts of the Far East, of the Middle East and of Africa -- are also areas where actual standards of living are in sharpest contrast with the standards to which people aspire. I do not mean to say that the causes of international tension, of big wars and little wars, begin and end with economics. But I do deeply doubt that we can have a politically stable world unless it is also one in which economic progress is being made.
is being made.

To help the underdeveloped countries lift themselves to new ways of working and living, then, is also to increase our own chances of living our own lives in peace. The World Bank is one instrument, among many, that is attempting to prod the pace of economic development. In terms of the world scene, the operations of the Bank are of close concern to you as Canadians with a stake in the future of your country. I believe that what the Bank is doing and helping the underdeveloped countries to do can truly be seen as a vital part of one of the most urgent tasks of today -- the task of rooting out the poisons of poverty and war, and of sowing the seeds from which stability and order in world affairs can grow --
in world affairs can grow -- and I think Canadians can take pride from their association with the Bank in this task.