Folder Title:	Clausen Papers - General Correspondence - Correspondence 06
Folder ID:	1629770
Series:	Alphabetical [subject] files
Dates:	01/01/1985 - 08/31/1985
Subfonds:	Records of President A. W. Clausen
Fonds:	Records of the Office of the President
ISAD Reference Code:	WB IBRD/IDA EXC-09-3957S
Digitized:	03/02/2023

CLAUSEN: - General Correspondence - (1985 - Jan. - August) Vol. VI

August 19, 1985

Mr. Maurice J. Williams
Executive Director
World Food Council
Via delle Terme di Caracalla
0100 Rome
Italy

Dear Maury:

Thank you for sending along a copy of the North-South Food Roundtable Report on the Crisis in Africa. As you note, it is very relevant to our Berlin discussions and to efforts that must be made to assure that the response to the current emergency contributes to, rather than detracts from, long-term solutions.

This is a timely and well-done report. You are well aware of the Bank's recent efforts to help establish a firm basis for increased food security in Sub-Saharan Africa, and I am pleased to see that many of the Roundtable's recommendations are also found in the Joint Program of Action for Sub-Saharan Africa, endorsed by the Development Committee last year. We talked about some aspects of the implementation of this program at Tidewater. As you also know, we are working on a food security policy paper which will spell out our views on this specific topic more clearly.

The Roundtable's report focusses primarily on the proper response to the food crisis, but it appropriately discusses broader strategic issues as well. Stress is laid on the need to consider more adequately the human dimension in design of adjustment programs. This is a fair point with which we agree, although it is, of course, necessary for difficult choices to be made by governments when resources of all types are exceedingly scarce. Social expenditures--along with many others--do get squeezed, and so it is particularly important to be sure that investments are made wisely and that the burdens of adjustment do not fall disproportionately on the poor. While it is difficult to be precise in this area, we are trying our best to assess the social impact of adjustment programs--but we know we must do more. The Joint Program of Action emphasizes the need to maintain investments on human resources development, health, population, and other programs dealing with long-term constraints on development; even in this current crisis, attention must be paid to building sustained growth in the future.

I am concerned, however, about the reference on page 25 which suggests that The World Bank is "withholding lending to those countries which do not undertake structural adjustment programs." Indeed, we are working closely with an increasing number of governments in Sub-Saharan Africa which are anxious to introduce policy reforms--and the Special Facility is directed especially towards this group--but IDA continues to lend to all eligible governments in support of development projects and programs. The levels of IDA flows may be affected in some cases by the degree of government commitment to reform, but we certainly have not withheld lending due to an absence of a structural adjustment program.

Thanks again for the report. I have made it available to my colleagues working on Africa, and I am sure they will be interested in the findings.

With best wishes,

Sincerely,

A. W. Clausen
President

Cleared w/ & cc: Mr. Stern
cc: Messrs. Reutlinger, de la Renaudiere, Birnbaum

AShakow:rd

united nations
nations unies
naciones unidas

world food council
conseil mondial de l'alimentation
consejo mundial de la alimentación

HEADQUARTER: Via delle Terme di Caracalla, 00100 ROME Cables: FOODAGRI ROME Telex: 610181 FAO I Telephone: 57971

15 July 1985

Dear Mr. Clausen,

It was a pleasure to visit with you at the recent Tidewater meeting in Berlin. In regard to our discussion of means for mitigating possible adverse effects of emergency relief to Africa on longer-term food policies and strategies, you may find of interest the enclosed report on "The Crisis in Africa - Mobilizing a Food, Health and Nutritional Response." You will recall that Jim Grant particularly called our attention to the conclusions of this report.

Best regards.

Yours sincerely,

Maurice J. Williams
Executive Director

Mr. A. W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington D.C. 20433
USA

NEW YORK OFFICE: United Nations Headquarters, NEW YORK, N.Y. 10017 Telephone: (212) 754 - 6014

Léopold Sédar Senghor
1 Square de Tocqueville
75017 Paris

N°1112/MLA/85

Paris, le 27 août 1985

1093

Monsieur le Président,

Encore que j'aie démissionné, à la fin de 1981, de mes fonctions de Président de la République du Sénégal, je continue de m'occuper du développement culturel, mais aussi économique, de l'Afrique.

C'est ainsi que je suis membre de la Commission indépendante sur les Questions humanitaires internationales.

C'est pourquoi je vous envoie, ci-joint, le texte de la préface que j'ai écrite pour la version française de l'ouvrage que vient de faire paraître la Commission sur la Famine, et en anglais.

Comme vous le constaterez, je vous rends hommage, une fois de plus, pour les efforts soutenus que vous

.../...

déployez en faveur du Tiers-Monde, et singulièrement de l'Afrique.

Veuillez croire, Monsieur le Président, à l'assurance de ma très haute considération et de mes pensées fidèles.

Léopold Sédar SENGHOR

Monsieur Alden W.CLAUSEN
Président de la I.B.R.D.
Banque internationale pour la Reconstruction
et le Développement
1818 H.Street
WASHINGTON D.C. 20433
ETATS UNIS D'AMERIQUE

1985 SEP -9 PM 4:54

PREFACE

Nous avons salué, en son temps, la décision prise par la Commission indépendante sur les Questions humanitaires internationales de donner une version française de Famine a man-made disaster. C'est que le désastre de la famine frappe surtout l'Afrique et que la moitié environ des pays africains ont le français comme langue de communication internationale.

Dans le grave problème de la famine qui interpelle la conscience humaine, le fait majeur est donc que, des quatre grands continents, c'est surtout l'Afrique qui en souffre le plus. 150 millions d'Africains, d'êtres humains, sur 500 en sont les victimes, précise Edouard Saouma, Directeur général de la F.A.O. En mettant l'accent sur la situation africaine, c'est à expliquer les origines du fléau et à proposer les remèdes les plus efficaces que s'est employée la Commission indépendante dans la version française que voici et dont le sous-titre est significatif : Mieux comprendre : mieux aider. Et si j'ai accepté avec plaisir de la préfacer, c'est fort de mon expérience passée de chef d'Etat africain.

Je m'arrêterai, d'abord, aux causes récentes comme aux origines lointaines de la famine africaine avant de dire, dans l'esprit de la Commission, les remèdes qui me semblent s'imposer. Il y a, en effet, ce qui ne dépend pas de nous, mais surtout ce qui dépend de nous, Africains.

.../...

+

+ +

Je voudrais, avant d'aller plus loin, mettre les lecteurs en garde contre les préjugés qui nous présentent les Africains comme des " primitifs" ou de " grands enfants". C'est le cas de rappeler les conclusions du Premier Congrès international de Paléontologie humaine, qui s'est tenu à Nice, en 1982. Celui-ci a établi, entre autres, que l'Homme avait émergé de l'animal en Afrique, il y a quelque 2.500.000 ans, et que, depuis lors et jusqu'à l'Homo Sapiens, il y a environ 40.000 ans, le continent noir était resté " aux avant-postes de la civilisation". Je dis, pour ma part : jusqu'au IVème millénaire avant J.C., jusqu'à l'invention de la première écriture par les Egyptiens, qui, selon le témoignage d'Hérodote, avait encore, au Vème siècle, "la peau noire et les cheveux crépus".

C'est à cause de cette ancienneté de l'Homme en Afrique que ce continent est, aujourd'hui, le plus usé, le moins fertile. Les spécialistes l'affirment, documents en mains, en ce dernier quart du XXème siècle, les déserts gagnent, chaque année, sur les forêts et terres arables, 15 millions d'hectares, dont le tiers dans la seule Afrique. Et cette désertification progressive, selon les préhistoriens africanistes, daterait du XIVème millénaire avant J.C. Elle s'est accentuée à partir du VIIIème siècle avant J.C., sous l'effet de la civilisation néolithique, qui précisément est née au Sahara, singulièrement sous l'effet des feux de brousse et des grands troupeaux de bovins et caprins.

.../...

A cette avance des déserts, accentuée, sinon provoquée, par nos ancêtres, se sont ajoutées, depuis un siècle - la Conférence de Berlin est de 1885 -, les conséquences économiques de la colonisation européenne. Paradoxalement, les indépendances des années 1960 n'ont pas amélioré la situation économique et financière de l'Afrique. A l'exploitation coloniale s'est substituée, en effet, la détérioration des termes de l'échange. Cette dernière expression signifie que, chaque année, les prix des biens et services qui nous sont vendus par les pays développés, essentiellement les pays euraméricains, stagnent ou augmentent, tandis que les prix de ceux vendus par les pays en développement stagnent ou baissent. Cette détérioration s'est aggravée depuis les chocs pétroliers de 1973, mais surtout de 1979. Les spécialistes l'ont ainsi chiffrée en 1981 : elle était annuellement et au maximum de 15 % pour les pays développés quand elle était de 30 à 200 % pour les pays en développement. Depuis 1981, la détérioration, loin de se réduire, s'est aggravée. Et, avec elle, la situation économique et financière des pays africains.

Comme le dit Edouard Saouma, le Directeur général de l'Organisation des Nations Unies pour l'Alimentation et l'Agriculture, " les cours des matières premières ne représentent aujourd'hui, en termes réels, que 20 % de ce qu'ils étaient en 1960" (1).

C'est cette détérioration des termes de l'échange qui explique l'énormité, toute relative au demeurant, des

.../...

---

(1) Cf Jeune Afrique, n° 1284-1285, 14-21 août 1985.

dettes de l'Afrique. A la fin de 1985, rien que la dette extérieure de l'Afrique s'élèvera à 170 milliards de dollars et l'aide des pays développés à l'Afrique, à 37,6 milliards de dollars. Ce qui représente 0,35 % de leur produit national brut.

Or donc, que peuvent faire les pays africains en face des dures réalités que voilà ? C'est, d'abord, de ne pas se décourager. C'est, ensuite et en relation avec leurs amis des pays développés du Proche-Orient, de l'Europe et de l'Amérique, en commençant par des organismes comme la Commission indépendante, de se battre pour convaincre, et les gouvernements des pays riches, et, avec l'ONU, ses principaux organismes.

Comme on le sait, les pays développés s'étaient engorgés, dans le cadre de l'ONU, à verser, chaque année, 0,70 % de leur produit national brut pour l'aide aux pays en développement. Précisément, il a été question, ces dernières années, de "Négociations globales", qui porteraient sur les relations économiques Nord-Sud. Au cours de sa XIème session spéciale, tenue du 25 août au 15 septembre 1980, l'Assemblée générale des Nations Unies avait même décidé d'ouvrir ces négociations, qui devaient porter sur les matières premières, l'énergie , le commerce et, d'une façon générale, sur le Développement. Or, malgré cette décision et malgré l'annonce, à la Conférence de Cancun, en 1982, qu'elles auraient lieu en 1983, rien de s'est produit. Et la situation économique et financière de l'Afrique a empiré. Comme le dit encore le Directeur général de la F.A.O., " la vraie inquiètude, je dirais même la seule, c'est l'Afrique". (1)

.../...

---

(1) Cf Ibidem.

Et pourtant, je ne suis pas pessimiste. En effet, malgré l'usure que voilà du continent, l'Afrique possède encore des ressources matérielles et morales non négligeables. J'insisterai sur les dernières, dans le cadre de ce qui dépend d'elle, puisque nous avons déjà vu ce qui, dans le passé, ne dépendait pas d'elle.

Trois ans seulement après la grande année des indépendances africaines, les chefs d'Etat ont pu créer l'"Organisation de l'Unité africaine". En 1980, à la " Conférence extraordinaire de Lagos", que j'ai présidée, ils ont élaboré un Plan d'Action préconisant, entre autres, la création des " communautés économiques régionales", sans oublier les plans de développement économique et sociale. On le sait encore, seules deux régions ont créé, chacune, sa communauté. Et si certains Etats sont à leur cinquième, sixième ou septième plan, ils sont une petite minorité. Heureusement, cette année même, à la XXIème session de l'O.U.A., tenue à son siège, à Addis Abeba, les chefs d'Etat ont décidé non seulement de mettre en oeuvre, et d'une façon dynamique, le Plan d'Action de Lagos, mais surtout de consacrer, chacun, au moins 25 % du budget à l'Agriculture. Il est entendu que les plantes vivrières auront la priorité, comme dans l'économie traditionnelle, sur laquelle je reviendrai. D'autant que l'Afrique est le seul continent où l'accroissement annuel de la production vivrière est inférieure à la croissance démographique.

Il reste qu'il ne suffira pas d'augmenter de façon substentielle les crédits destinés à l'Agriculture, plus exactement au secteur rural. Il faudra, comme l'ont fait les peuples asiatiques, singulièrement les Chinois et les Indiens, adopter, en les adaptant, des méthodes culturales

.../...

et des instruments modernes. Je pense aux engrais et aux semences sélectionnées ainsi qu'à la charrue à versoir, avec traction bovine, aquine, voire asine. Pour ne parler que de l'Afrique subsaharienne, qui est en retard sur l'Afrique méditerranéenne, nous avons pu, au Sénégal et avec ces moyens modestes, partir de 5 quintaux de céréales à l'hectare pour arriver à la moyenne de 22 quintaux sous pluie et 40 quintaux par irrigation.

Bien sûr, pour arriver aux résultats que voilà, surtout pour les améliorer, il faut commencer par ressusciter l'esprit, mieux, l'âme communautaire des paysans africains. Pour cela, on les encadrera dans de nouveaux cadres de coopération : des coopératives gèrées par eux encore que sous la haute surveillance de l'Etat. Je parle d'un Etat démocratique quelle que soit son idéologie, libérale ou socialiste.

Comme le dit le proverbe, "aide-toi et le ciel t'aidera". Dans un sursaut continental et à l'unanimité, les Africains viennent, au mois de juillet 1985, de s'aider à Addis Abeba. Il leur reste à mettre à exécution leurs dernières résolutions. Forts de ce " primat de la susceptibilité et de l'honneur" qui est le leur, pour parler comme le grand africaniste que fut Leo Frobenius, je suis convaincu que la grande majorité des chefs d'Etat africains appliqueront les résolutions votées. Il leur restera, cependant, à améliorer leurs relations avec l'O.N.U. et ses organismes spécialisés que sont la Banque mondiale et le Fonds monétaire international.

Jusqu'ici, les Etats africains se contentaient, le plus souvent, de tendre la main aux directeurs généraux de

ces deux organismes, comme aux gouvernements des pays occidentaux au demeurant, en vitupérant " l'impérialisme, le colonialisme et le néo-colonialisme". Heureusement, depuis quelques années, on a baissé le ton, car les griefs faits à la Banque mondiale et au Fonds monétaire ne résistent pas à l'analyse. Dans leur grande majorité, les Etats africains leur reprochaient, et de ne pas consentir tous les prêts qu'ils sollicitaient, et, quand ils le faisaient, de leur imposer, dans un esprit capitaliste, des conditions inacceptables.

Comme on le sait, la majorité des pays développés ne professent pas le marxisme-léninisme si un bon nombre d'entre eux le font du "socialisme démocratique". Il reste que la Banque mondiale et le Fonds monétaire appliquent honnêtement, et avec un succès certain, les règles du libéralisme économique, dont certaines lois s'imposent, en ce XX° siècle, à tous les pays. C'est le Président François Mitterrand, socialiste s'il en fut, qui, en son temps, a rappelé au Peuple français, qui a fait la première Révolution digne de ce nom, " les lois de l'économie". Ce sont ces lois générales que les organismes de l'ONU appliquent aux pays qui empruntent, la principale étant qu'il faut "ajuster les dépenses aux recettes".

En vérité, et c'est par là que je terminerai avant de conclure, loin de professer un mépris ignorant à l'égard des Africains, les présidents de la Banque mondiale et du Fonds monétaire, des hommes comme M. Clausen et M. de Larosière, ont été leurs défenseurs les plus compétents et les plus convaincus en même temps. Ces dernières années, M. Clausen a souvent souligné les efforts de planification entrepris par les pays en développement, sans oublier l'Afrique, ainsi que les bons résultats obtenus dans la

.../...

production. Parlant de la croissance, il a précisé, dans son rapport de 1982 : " Elle a été particulièrement lente dans les pays les plus pauvres, où, pourtant, des progrès énormes ont été accomplis pour ce qui est de la qualité de la vie et la mise en place des conditions préalables au développement". C'est moi qui souligne.

+

+ +

C'est de ce jugement, élogieux, du Président de la Banque mondiale que je partirai pour conclure. J'y ajouterai la recommandation que le Comité directeur de l'Organisation de l'Unité africaine a faite à la dernière conférence des chefs d'Etat réunis à Addis Abeba. La voici : " Au-delà des problèmes immédiats de survie de millions d'êtres humains menacés par la famine, qui interpellent la solidarité africaine et internationale, l'Afrique doit repenser l'orientation et la gestion à long terme de son économie et de son développement en puisant, dans ses propres traditions, les stratégies et les politiques nécessaires".

L'ouvrage de la Commission indépendante n'a pas d'autre but majeur que d'aider les Africains à faire ce rééxamen, sinon d'attirer l'attention des pays développés sur la situation africaine. En liaison avec les uns et avec les autres, la Commission renforcera ses activités dans ce sens. En effet, la Civilisation de l'Universel que, nolentes

volentes, sont en train de bâtir toutes les nations de tous les continents, est enracinée dans les corps, dans le manger et le boire, avant de l'être dans les âmes.

Léopold Sédar SENGHOR

E-209/86 Sept. 16, 1985
French (Africa)
EXC DRJB:jka

Léopold Sédar Senghor

1 Square de Tocqueville
75017 Paris

No. 1112/MLA/85

Paris
August 27, 1985

Mr. Alden W. Clausen
President
International Bank for Reconstruction and Development
Washington, D.C.

Dear Mr. Clausen:

Although I resigned at the end of 1981 from my duties as President of the Republic of Senegal, I continue to interest myself in the cultural, and also the economic, development of Africa.

This explains how I have come to serve as a member of the Independent Commission on International Humanitarian Issues.

In that capacity, I am sending you herewith the text of the foreword I have written for the French version of a work the Commission has just had published in English on the subject of famine.

As you will see, I once again pay you tribute for your sustained efforts on behalf of the Third World, and Africa in particular.

With assurances of my highest regard,

Yours truly,

/s/ Léopold Sédar Senghor

FOREWORD

The decision by the Independent Commission on International Humanitarian Issues to publish a version in French of "Famine, a man-made disaster?" (*) was one I hailed. Africa in particular suffers the disaster of famine, and virtually half the African countries have French as their language of international communication.

In the grave problem of famine now thrust on world consciousness, the major fact is that, of four great continents, Africa suffers its effects most. Out of the 500 million human beings in Africa, 150 million are its victims, according to Edouard Saouma, the Director-General of FAO. In concentrating on the African situation in this book, the French version of which bears the significant subtitle Mieux comprendre: mieux aider (**), the concern of the Independent Commission has been to uncover the origins of the calamity and propose the most effective remedies. And if I agreed with pleasure to provide this foreword, I did so armed with my past experience as an African Head of State.

I shall first enumerate both the recent causes and the old roots of famine in Africa, before going on, in the spirit of the Commission, to the remedies I think are called for, since, although there is much that does not depend on us as Africans, there is much else that does.

+ + +

At the outset, let me warn readers against those prejudices which depict Africans as "primitives" or "overgrown children." On that score, I would recapitulate the findings of the First International Congress on Human Paleontology, held in Nice in 1982. Among other things, this body established that man first emerged from the animal condition 2,500,000 years ago in Africa, and that for the 40,000 years separating that stage from the appearance of Homo sapiens the Black continent stood "in the vanguard of civilization." For my own part, I would add that this was so until the invention of the first script, in the 4th millenium B.C., by the Egyptians, who, according to Herodotus, still had "black skin and woolly hair" in the 5th century B.C.

(*) TN: Famine, a man-made disaster?, A report for the Independent Commission on International Humanitarian Issues, Pan Books Ltd., London, 1985. (IBRD Sectoral Library, Room N-145, Ref. HC800 .F25 1985.)

(**) TN: May be rendered in English as "to understand better is to be able to help better."

It is because of man's presence in Africa since time immemorial that the continent is today the most depleted, the least fertile. In this last quarter of the 20th century, specialists, documents in hand, affirm that deserts overtake forests and arable land by 15,000,000 hectares every year, a third in Africa alone. This progressive encroachment of the desert, according to experts in African prehistory, may date from the 14th millenium B.C. In the 8th century B.C. it began to worsen in the course of neolithic civilization -- which, indeed, originated in the Sahara -- mainly as a result of brush fires and the impact of great herds of sheep and goats.

To this advance of the deserts, accentuated if not provoked by our ancestors, have been added over the last century -- since the Berlin Conference in 1885 -- the economic consequences of European colonization. Paradoxically, the independence movement of the 1960s did not ameliorate Africa's economic and financial situation. Colonial exploitation was replaced by deterioration in the terms of trade. Each year, the prices of the goods and services sold to us by the developed countries, Euro-American in the main, stagnate or increase, while the prices of those sold by the developing world stagnate or fall. The oil crises of 1973 and in particular 1979 exacerbated the difficulties. In 1981, specialists in the subject put the following figures on the deterioration: in annual terms, it was at a maximum of 15% for the developed countries but between 30% and 200% for the developing countries. Since 1981, far from abating, it has worsened, and with it the economic and financial position of the African countries.

As Edouard Saouma, the Director-General of the Food and Agriculture Organization of the United Nations, notes: "Commodity prices today, in real terms, are only 20% of what they were in 1960." [V. Jeune Afrique, No. 1284-1285, August 14-21, 1985.]

It is this deterioration in the terms of trade that explains the enormity -- in relative terms, clearly -- of Africa's debts. By the end of 1985, its external debt alone will total US$170 billion, and the aid it receives from the developed countries US$37.6 billion, or 0.35% of their gross national product.

But what can the African countries do in the face of these hard facts? First, they should not lose heart. Then, in conjunction with friendly countries in the Near East, Europe and the Americas, beginning with organizations like the Independent Commission, they should make every effort to prevail upon the governments of the rich countries and, through the United Nations, their major agencies.

As is well known, the developed countries had undertaken to allocate 0.7% of their gross national product annually to official development assistance. More recently, the concern has been with global negotiations that would focus on North-South economic relations. In the course of its 11th Special Session, held from August 25 to September 15, 1980, the United Nations General Assembly determined to initiate such negotiations, on commodities, energy, trade and, in a general manner, on development. However, despite this decision, and despite announcement at the Cancun Conference in 1982 that they would take place the following year, nothing occurred. Meanwhile, Africa's economic and financial plight has worsened. To quote the Director-General of

the FAO again [V. Jeune Afrique, op.cit.], "the real worry, and in fact I would say the only one, is Africa."

Nonetheless, I am not pessimistic. For all the invidiousness of Africa's position, it still possesses appreciable material and moral resources. And I stress the latter in the context of what now depends on Africa itself, since we have already seen how much, in the past, did not depend on it.

Only three years after the great year of African independence, the Heads of State created the Organization of African Unity. In 1980, at its Extraordinary Assembly in Lagos, over which I presided, they formulated a Plan of Action advocating, among other things, the establishment of "regional economic communities" in addition to economic and social development plans. But only two regions have so far formed such communities; and if certain States are up to their fifth, sixth or seventh plan, they are a small minority. Happily, however, at the 21st Session of the OAU, held this year at its headquarters in Addis Ababa, the Heads of State decided not only to implement the Lagos Action Plan as forcefully as possible but to devote at least 25% of their budgets to agriculture. Priority is to be given to food crops, as in the traditional economy, a point I shall enlarge upon, especially as Africa is the only continent where annual growth in food production is lower than population growth.

It will not be enough, all the same, to make substantially increased allocations to agriculture, or, more precisely, the rural sector. As is done in Asia, mainly in China and India, it will be necessary to adopt modern farming practices and equipment, in suitably modified form. I refer to fertilizers and selected seed, and to use of the moldboard plow, with animal traction (ox, horse, or even donkey). Speaking of sub-Saharan Africa alone, which lags behind Mediterranean Africa, in the particular case of Senegal it has proved possible, with only modest means, to raise per-hectare grain yields from five quintals to an average 22 quintals rainfed and 40 quintals irrigated.

Achievement of, and certainly improvement on, those results must begin with a revival of the community spirit, or, better, soul, of Africa's rural people. This requires bringing them together through new modes of cooperation: for instance, cooperatives managed by them, although under the general supervision of the State. And I mean a democratic State, whatever its ideology, liberal or socialist.

As the proverb has it: "Heaven helps those who help themselves." In a continent-wide burst of unanimity, the Africans came, in July 1985, to Addis Ababa to help themselves. It only remains for them to put their most recent resolutions into effect. Armed with that "high sense of pride and honor" which is theirs, to quote the great Africanist, Leo Frobenius, I am convinced that the large majority of African Heads of State will institute the resolutions voted. They will still need, however, to improve their relations with the U.N. and two of its specialized agencies, the World Bank and the International Monetary Fund.

So far, the African States have been content, more often than not, to hold out their hands to the leaders of these organizations and the governments of the Western countries, while simultaneously storming at "imperialism, colonialism and neo-colonialism." Happily, in the last few years, they have moderated their tone a little, their grievances against the Bank and the Fund having failed to withstand close examination. Their reproaches in the great majority of cases were that the loans they requested were either not granted, or, if granted, were accompanied, in true capitalist spirit, with unacceptable conditions.

While the majority of the developed countries, of course, do not profess Marxist-Leninist principles, many hold to those of "democratic socialism." For their part, the World Bank and the International Monetary Fund frankly, and with a degree of success, apply the rules of economic liberalism, certain tenets of which need to be observed by all countries in the 20th century. It was François Mitterand, the ultimate socialist, who reminded the French, the first to mount a revolution worthy of the name, of the "laws of economics," and these are precisely the general laws that U.N. agencies prescribe for borrower countries, the chief among them being that "expenditure must be adjusted to revenue."

The truth -- and I shall return to it in concluding -- is that far from exhibiting an ignorant scorn toward Africans, the Presidents of the World Bank and the Managing Directors of the International Monetary Fund, men like Messrs. Clausen and de Larosière, have instead been both their best qualified and most earnest defenders. On many occasions in the last few years, Mr. Clausen has underscored the planning efforts made by the developing countries, the African nations among them, and the good results obtained in the sphere of production. On the subject of growth, he noted in a 1982 report that: "It has been especially slow in the poorest countries, although they have made enormous progress in improving the quality of life and establishing the prior conditions for development." The emphasis is mine.

+ + +

That laudatory judgment from the President of the World Bank is a good point at which to conclude, but not without adding the recommendation the Council of the Organization of African Unity made at the most recent meeting of Heads of State in Addis Ababa: "Beyond the immediate problems of the survival of millions of human beings threatened with famine, which call for both African and international solidarity, Africa must rethink the direction and long-term management of its economy and development, drawing on its own traditions for the necessary strategies and policies."

This work published for the Independent Commission has no higher aim than to assist the Africans in making such a reexamination, unless it be to draw the attention of the developed countries to the situation in Africa. In conjunction with both groups, the Commission will redouble its efforts on this score. After all, the universal civilization which, whether they will or no, all nations on all continents are in the process of building is rooted in bodies, in food and drink, before it flourishes in the human soul.

Léopold Sédar Senghor

FRITZ LEUTWILER
Weizenacher 4
8126 Zumikon
Phone-Nr. 01-9180336

599

Zumikon, April 20, 1985

Mr. A.W. Clausen
President
The World Bank
Washington, D.C. 20433

Dear Tom,

Thank you very much for the letter you had sent to me on January 7 on the occasion of my resignation from the Swiss National Bank. The fact that it reached me with delay due to a mailing error did not lessen my great pleasure about your kind words at all. I have always greatly valued the close relationship between the World Bank and the Swiss National Bank. Cooperating with you and your institution has always been very interesting and rewarding to me, both from a personal and professional point of view. I shall certainly miss the frequent contacts we had in the past, but am looking forward to new opportunities to see you again in the future.

With my best wishes and warm personal regards,

January 7, 1985

Dear Fritz:

At the beginning of this new year, and at a new beginning for you personally, I wish to thank you for your support and friendship during your tenure as President of the Swiss National Bank. You have been an effective and eloquent advocate for The World Bank, and we are all grateful for your unstinting efforts on our behalf.

Under your leadership, the SNB has been most cooperative and helpful in our Swiss market operations. Your support and guidance over the years have made a significant contribution to the financial strength of our institution.

Needless to say, we shall certainly miss your presence at the SNB. However, we wish you every happiness and success in your new endeavors and look forward to meeting again in the future.

Warm regards.

Sincerely,

A. W. Clausen

Mr. Fritz Leutwiler
Weizenacher 4
CH-8126 Zumikon
Switzerland

MH/VRS

August 21, 1985

Dear Governor Lamm:

Thank you for your letter of August 16 concerning immigration reform. Since coming to the Bank, I have made it a policy not to comment publicly on laws pending before a legislative body of any of our member countries. This policy keeps me from fulfilling your request to become a co-signer of your telegram to members of the U.S. Senate.

On the other hand, you will be pleased to know that individual members of the Bank have been extremely active in both the House and Senate in supporting Senator Simpson's legislation. S.1200 contains a section that personally affects members of international institutions, such as the World Bank, who hold G-IV visas.

Personally, I wish to complement you for your efforts in this regard. As a private citizen I strongly share your views that the need to strengthen our nation's outdated immigration laws is long overdue.

Sincerely,

A.W. Clausen

The Honorable
Richard D. Lamm
Governor, State of Colorado
Executive Chambers
136 State Capitol
Denver
Colorado 80203-1792

JWStanton/jkv

FORM NO. 89
(2–83)

THE WORLD BANK

ROUTING SLIP	Date August 20, 1985

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Stanton	E-823

	To Handle		Note and File
	Appropriate Disposition	XX	Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

Would you please prepare a reply for Mr. Clausen's signature by August 27?

Roy Southworth

From

990

STATE OF COLORADO

EXECUTIVE CHAMBERS
136 State Capitol
Denver, Colorado 80203-1792
Phone (303) 866-2471

Richard D. Lamm
Governor

August 16, 1985

Mr. A.W. Clausen
President
World Bank
1818 H, Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

As Governor of Colorado, I have often spoken out on an issue I consider to be among the most critical that our nation faces -- the need to reform and strengthen our nation's outdated immigration laws.

Again this year, Senator Alan Simpson has introduced an immigration reform measure that promises to be an important step forward in our nation's effort to regain control of its policies and borders. The bill is S. 1200, the Immigration Reform and Control Act of 1985. (See the enclosed article.) It has already been reported out of committee, and is expected to be one of the first bills considered by the Senate when Congress returns from recess after Labor Day.

This important legislation has won strong backing from Democrats and Republicans, as well as the support of the Administration. As happened in the last Congress, however, a diverse coalition of narrow special interests is organizing its lobbying power to block this urgently needed reform.

To show Congress that these special interests do not represent the will of the American people, and that wide national support exists for the goal of immigration reform, I have decided to form an ad hoc committee of distinguished Americans to send a special message to Congress.

The messages will take the form of a telegram (text enclosed) that will be sent to every member of the Senate when it begins consideration of Senator Simpson's bill.

Former President Gerald Ford, Father Ted Hesburgh, President of Notre Dame University, and Leonard Woodcock, President Emeritus of the UAW and former Ambassador to the People's Republic of China, have agreed to serve with me as co-chairmen of the ad hoc committee of distinguished persons. Will you join us? Please indicate that you will by signing the enclosed copy of the telegram text and returning it to me in the envelope provided, or send me a telegram.

Our plan is to send the telegram with all undersigned names on September 11th, after Congress reconvenes following its Labor Day recess. If you have questions, please call me or Jeanne Fee of my staff.

Sincerely,

Richard D. Lamm
Governor

RECEIVED

1985 AUG 19 PM 5:27

OFFICE OF THE PRESIDENT

NATIONAL COMMITTEE FOR S. 1200

(TEXT OF TELEGRAM TO BE SENT TO ALL MEMBERS OF THE U. S. SENATE)

Dear Senator _____:

Senator Alan K. Simpson is again sponsoring an immigration reform bill in the Senate. S. 1200 would substantially overhaul and strengthen our country's outdated immigration law. S. 1200 has the support of the President and incorporates the recommendations of the three preceding administrations.

You know that immigration into the United States is an urgent issue; poll after poll shows that it is high on the list of things Americans care about. Most polls also show Americans opposed to unlimited immigration and in favor of permitting only legal immigrants to work here. S. 1200 responds to this desire by making it against the law to knowingly hire illegal aliens.

Once again, however, an array of special interest organizations will be trying to obstruct this urgently needed reform. We urge you to listen instead to our newly-unemployed, our poor, our youth, our own disadvantaged minorities -- people who can't get work because the jobs are taken -- and give your full support to Senator Simpson and this effort to reform immigration law.

Governor Richard D. Lamm, Chairman
The Honorable Gerald R. Ford, Co-Chairman
Ambassador Leonard S. Woodcock, Co-Chairman
Reverend Theodore Hesburgh, Co-Chairman
(and the undersigned)

Dear Governor Lamm:

I agree and you may add my name to yours and your distinquished co-chairmen as a co-signer of this telegram.

_____ (Date)

_____ (Signature)

_____ (Name - Please Print)

Preferred Affiliation Identification:

_____

Immigration-Law Overhaul Including Employer Penalties Clears Senate Panel

By ELLEN HUME
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—The Senate Judiciary Committee approved a bill to overhaul the immigration law, after adding criminal sanctions against some employers and a legalization program for illegal aliens who have lived in the U.S. since Jan. 1, 1980.

The last-minute changes, supported by chief sponsor Sen. Alan Simpson (R., Wyo.) in order to win at least nominal Democratic support, made the bill much more like a measure to which House and Senate conferees nearly agreed last year.

The Simpson bill, passed 12-4, is expected to win full Senate approval in September, the same time the House Judiciary Committee begins work on its version of the measure, sponsored by Chairman Rep. Peter Rodino (D., N.J.) and Rep. Romano Mazzoli (D., Ky.).

Yesterday's amendments won Sen. Simpson the cooperation of Sen. Howard Metzenbaum (D., Ohio), who is known for his filibusters. President Reagan, meeting recently with Sen. Simpson, expressed his view that a legalization program should be included in the bill, according to a Simpson aide.

Before the Metzenbaum amendments yesterday, Sen. Simpson's bill would have delayed legalization indefinitely until a new commission certified that illegal immigration flows had been "curtailed." Under the final version, that commission would be set up, but the legalization program would begin after three years, whether or not the commission certifies any change in the illegal flow.

The Rodino bill in the House would begin organizing a legalization program immediately after the bill became law, for illegal aliens who have lived in the U.S. since 1982.

Both bills now include civil fines for employers with four employees or more, who hire new illegal-alien workers after a six-month grace period. Under both bills, criminal penalties of as much as six months in jail would be imposed for a "pattern or practice" of such hirings.

Both bills would give Western growers, who rely heavily on illegal-alien labor, a three-year phase-in period before they are expected to have 100% of their new hires be legal residents or citizens. The Western growers also are mounting a major effort on the Senate floor and in the House to add an open-ended program that could bring in hundreds of thousands of legal foreign guest workers to replace their illegal-alien labor supply.

While President Reagan has said he favors the Simpson bill, he remains concerned that it could hurt growers in his home state of California by overly restricting the labor supply, aides say. And his cabinet is at odds over the growers' attempt to win the open-ended guest-worker provision.

Labor Secretary William Brock, who opposes that sweeping program, has run afoul of Agriculture Secretary John Block, who favors it. Their senior staff are expected to come to some sort of administration compromise by mid-August.

The staff agreement might include a 150,000-person limit, or might limit the guest-worker program to three years or until a commission studying the situation assesses the size and scope of the need for such guest workers.

The U.S. Chamber of Commerce, which agreed to support the Simpson bill, was reconsidering that position after the committee agreed by voice vote yesterday to add the criminal penalties. However, the chamber retains a concession won from Sen. Simpson that it cares more about: a provision for voluntary, rather than mandatory, record-keeping by employers of their hires.

Only two Democrats, Sen. Metzenbaum and Sen. Patrick Leahy of Vermont, joined 10 Republicans in voting for the Simpson bill yesterday.

The Honorable Richard D. Lamm
Governor of Colorado
136 State Capitol
Denver, Colorado 80203-1792

STATE OF COLORADO

Office of the Governor
State Capitol
Denver, Colorado 80203-1792

210100-000

Mr. A. W. Clausen
President
World Bank
1818 H. Street, NW
Washington, DC 20433

August 9, 1985

Dear Francis,

It was a pleasure to read your letter of July 9 proposing a meeting in November 1986 to look at trade, finance and monetary issues and their reconciliation with fuller employment, structural change and poverty alleviation. We recognize the growing interest among the economic groups you cite and others in this vital but complex subject and commend ILO's initiative in proposing this meeting to explore these matters more fully.

While I welcome your invitation to me to attend, the proposed date, November 1986, falls after the end of my present term as President of the World Bank. I am sure you will appreciate that in these circumstances, it would be presumptuous and inappropriate for me to make such a commitment. I can assure you, however, that in any event, the Bank is prepared to participate at a very senior level. We have no preferences at this time between the alternate dates you suggest.

The Bank also is prepared, in principle, to make a written contribution to the report you propose. For this purpose, I am requesting Mr. Shahid Javed Burki, Director of the Bank's International Relations Department, to serve as the focal point in the Bank for maintaining working relationships with your staff. We would especially like to receive, at an early date, ILO's proposals regarding the meeting agenda.

Lastly, I have noted that you propose a meeting not exceeding three days with participants restricted in number. I believe such limits are desirable, in fact essential, if the discussion is to be productive and I encourage you to keep the meeting short and the number of participants limited.

Sincerely,

A.W. Clausen

Mr. Francis Blanchard
Director-General
International Labour Office
CH 1211 Geneve 22
Switzerland

Log. No. 884
VJRiley:yb

ATIONAL MONETARY FUND

July 26, 1985

Mr. Riley:

As I mentioned to your secretary over the telephone, the Managing Director has asked that we show you and Mr. Burki the attached draft response to Mr. Blanchard. I would be grateful for your reactions.

Att.: (1)

Shailendra J. Anjaria

July 25, 1985

Dear Mr. Blanchard:

Thank you very much for your letter of July 9, 1985. I was pleased to learn of the ILO membership's interest in promoting a high-level international dialogue on the relationships between international trade, finance, and monetary policies, and employment and poverty alleviation. We welcome your decision to convene a policy meeting on these issues in November 1986, and you can be assured of my personal support for your constructive endeavors. I am also grateful for your kind invitation, and I am pleased to accept it in principle; of course, you will appreciate that there are some uncertainties, at this early stage, regarding the dates.

I have asked Mr. Manuel Guitián, Deputy Director of our Exchange and Trade Relations Department, to coordinate matters at this end and to arrange for the preparation of a suitable Fund contribution for the meeting. My staff will be in touch with you as soon as I can be more specific on the dates.

With best wishes,

Sincerely,

J. de Larosiere

Mr. Francis Blanchard
The Director-General
International Labour Office
CH 1211 Geneva 22, Switzerland

684

INTERNATIONAL LABOUR OFFICE
GENEVA

THE DIRECTOR-GENERAL

9 JUL 1985

Dear Tom

There has been growing interest in recent years among the ILO's tripartite membership in the impact on employment and poverty alleviation of international trade, finance and monetary policies. Since business and trade union organisations, in particular, are directly affected by such policies, it was felt that their involvement in the global dialogue could be an essential element both in arriving at a broader consensus and in ensuring its effective implementation at the national level. It was also felt that international agencies dealing with one or another of these two sets of issues needed to explore common policy guidelines which would more adequately reflect the interdependence between policies dealing with the external sector and those promoting employment and alleviating poverty.

These concerns led to the adoption by the International Labour Conference in 1984 of a Resolution calling for a meeting to promote a wider dialogue on these issues. As I have already mentioned to you, I am now arranging such a meeting between Ministers of Labour, Finance and Planning from a selected number of countries; the heads of major trade union and employer organisations; and the Executive Heads of those international organisations most directly concerned. While no formal agenda has been fixed, it is our hope that the discussion could lead to a better understanding by all concerned of the issues involved, and an identification of practical measures by which sustained and equitable growth can be reconciled in the medium term with fuller employment, structural change and poverty alleviation.

The President,
The World Bank,
1818 H Street, NW,
WASHINGTON, DC 20433

Since the object is to facilitate a dialogue between principals at the policy level, the meeting will not exceed three days in length and will be restricted in number.

I very much hope it will be possible for you personally to attend this meeting, which is tentatively scheduled for some mutually convenient period during either the first or the last week of November 1986. I would welcome an indication of your own preference as regards these dates.

As the problems involved are the concern of many international organisations, the report to be submitted to the meeting will be as broad-based as possible. We would much appreciate a written contribution from the World Bank for this purpose. I would be grateful if you could, in addition, indicate the name of an official in your Secretariat with whom my colleagues could establish working relationships.

I look forward to hearing from you.

With warmest regards

Yours very sincerely

Francis Blanchard

Name details
- dates
- participants
check with JRE

July 23, 1985

Dear Mr. Husain:

Many thanks for your recent letter inviting me to make a nomination of one or two names for consideration for selection for the Third World Prize for 1985.

I would like once again to put forward the nomination of His Excellency Ghulam Ishaq Khan, Chairman of the Senate, Pakistan and Chairman of the Development Committee. Chairman Khan, in his three-year service so far with the Committee, has made a valuable contribution to Third World development by the focus he has succeeded in achieving in the dialogue on critical development issues facing the developing world. The success of the extended meeting of the Development Committee here last April in starting a process of serious discussion between developed and developing countries owed much to the political skills of Chairman Khan.

Under the leadership of Chairman Khan, the economic difficulties of the Third World particularly in Latin America and the poorest countries in Sub-Saharan Africa have been, and are being addressed, by the Development Committee. With Chairman Khan's guidance there has also been an improved understanding in the Development Committee of the problems facing the Third World which, hopefully, could lead to a solution of many of these difficulties.

Sincerely,

(Signed) A. W. Clausen

Mr. Azim Husain
Member-Secretary
Third World Prize
Third World Foundation for Social and Economic Studies
New Zealand House
80 Haymarket
London SW1Y 4TS, U.K.

D.R.Clarke:ka
REF: 865

FORM NO. 89
(2–83)

THE WORLD BANK

ROUTING SLIP	Date July 10, 1985

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Botafogo	E-823
~~Mr. Botafogo~~ Mr. Clarke	

	To Handle		Note and File
	Appropriate Disposition	XX	Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

Last year, we were so late in making this nomination that we had to send a telex and it was also late. Perhaps this year it can be handled on time. Would you please prepare a reply for Mr. Clausen's signature by July 23?

Roy Southworth

From

Third World Prize

THIRD WORLD FOUNDATION FOR SOCIAL AND ECONOMIC STUDIES

New Zealand House, 80 Haymarket, London SW1Y 4TS, England Phone: 01 930 8411 Cables: FOUNDATION, London SW1
Telex: 8814201 TRIMED G, Facsimile: (01) 930 0980

865

28th June 1985

Dear Mr. Clausen,

I am desired by the Third World Prize Selection Committee to request you in your personal capacity to nominate for the consideration of the Selection Committee one or more names for the Third World Prize of US $ 100,000, to be awarded in 1985. A brochure describing the institution of the Third World Prize including the Code of Procedure adopted by the Selection Committee is enclosed.

returned to DR Clarke

The Prize will be conferred on individuals or institutions for outstanding contribution to Third World development, particularly in the economic, social, political, and scientific fields. The principal qualities which the Prize aims to honour are originality, inspiration, enterprise, creativity, innovation, and service to the general good of the peoples of the Third World.

The nominations may be made in English, French, or Spanish and should reach me not later than 30th September 1985. The nominations should be fully supported by publications or other relevant material.

The Prize for 1984 was awarded to Mr.Willy Brandt. The text of the Third World Lecture delivered by Mr. Brandt is enclosed.

Yours sincerely

Azim Husain
Member-Secretary

Mr. A.W. Clausen
President
The World Bank
1818-H Street, NW
Washington

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE July 23, 1985

TO Mr. A.W. Clausen
(through Mr. Jose Botafogo G., VPE)

FROM Mr. Shahid Javed Burki, Director, IRD

EXTENSION 72407

SUBJECT Third World Prize

1. Again this year, you have been asked to make a nomination of one or more persons for the Third World Prize of US$100,000 being offered by the Third World Foundation.

2. The criteria for selection by a Third World Foundation Committee are "individuals or institutions making an outstanding contribution to Third World development, particularly in the economic, social political and scientific fields. The principal qualities which the Prize aims to honor are originality, inspiration, enterprise, creativity; innovation and service to the general good of the peoples of the Third World."

3. Third World prize awards have been made to Dr. Raul Prebisch (1980), President Julius Nyerere (1981), the International Rice Research Institute (1982), Professor Arvid Pardo (1983) and Mr. Willy Brandt (1984).

4. Last year, we suggested the nomination of His Excellency Ghulam Ishaq Khan, the Chairman of the Development Committee and Minister for Finance, Commercial and Economic Coordinator for Pakistan. The case for Mr. Khan, now Chairman of the Senate in Pakistan, is even greater this year with his reelection as Chairman of the Development Committee last September and his successful pioneering of the extended Development Committee meeting last April. At a time when the dialogue between developed and developing countries on critical development issues has stalemated in other fora, Mr. Khan has shown the feasibility of the Development Committee as a forum for serious discussions on issues of importance to the Third World.

5. I attach a letter you might send to the Third World Foundation making the nomination, if you are in agreement.

Attachment

DRClarke:ka

Copy to Mr. Shahane
sent 7/30

Executive Council on Foreign Diplomats

One Byram Brook Place
Armonk, NY 10504
(914) 273-9100

James Stoutenberg
President

R1

1101

July 26, 1985

Dear Mr. Clausen:

Thank you for your very reassuring note.

I feel we are back on the high ground we have enjoyed together for so many years.

With kind regards.

Yours Sincerely,

Mr. A. W. Clausen
President
The World Bank
Washington, D.C. 20433

JS/vv

July 23, 1985

Dear Mr. Stoutenberg:

Thank you for your letter of July 2, 1985, informing me of the dilemma caused by Timothy Thahane's withdrawal from your program on the eve of the Council's conference. I truly regret this incident and am sorry for the inconvenience which it may have caused you.

His decision to cancel was not an easy one, nor was it made lightly. It was taken after much deliberation, in full consultation with me, and in light of an emergency circumstance that threatened personal and institutional embarrassment just hours before his scheduled departure. When all was taken into consideration, he was confronted with a choice of "damned if he did and damned if he didn't". His priority was to choose to protect his institution -- a decision I believe was the right one -- although I do have a rather subjective view on this point.

Under the circumstances, he did all that he could have and should have -- that is, to offer to obtain an experienced substitute for the occasion. This was not acceptable to the Executive Council on Foreign Diplomats, and so, we have this very difficult situation before us. And again, I am truly sorry for this.

I am very much aware of the special recognition given to me in 1982 by the Executive Council's invitation to be its Guest of Honor and Speaker. The World Bank is committed to the excellent work of the Council. We have supported your programs in many ways: we have enabled our Executive Directors from different parts of the world to participate; we have hosted briefings; we have released our senior staff to be involved in whatever roles you have requested, and we shall continue to do so if asked.

Mr. Stoutenberg, I truly hope that this incident does not affect the excellent relationship that we have built up over many years.

Warm regards.

Sincerely,

A. W. Clausen

Mr. James Stoutenberg
President
Executive Council on Foreign Diplomats
One Byram Brook Place
Armonk, New York 10504

bcc: Mr. Thahane
AWC:MH

Executive Council on Foreign Diplomats

One Byram Brook Place
Armonk, NY 10504
(914) 273-9100

James Stoutenberg
President

853

July 2, 1985

PERSONAL AND CONFIDENTIAL
Mr. A.W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

It is difficult to find a good way to say this, but Timothy Thahane's cancellation as Discussion Leader on the eve of the Council's June 19-21 conference surprised and stranded us.

Everyone attending had urgent business waiting in their offices, but kept their commitment to the program and to each other. It made the withdrawal of an official from the Bank, particularly the one diplomat discussion leader, quite apparent, notwithstanding his urgent duties.

I understand that a substitute was offered. But that overlooked the extensive investment and preparation which went into the conference and Tim's special role, making last minute substitutions by people not familiar with leading our conferences impossible

The Council has provided very special opportunities for 23 years for institutions like The World Bank to talk personally and openly with administration and foreign government officials and with American business leaders. Our commitment once given has never been broken and I doubt anything less from us would be acceptable.

This was a serious default, one we could not afford to take another time. Tim and I have communicated about this. My purpose here is to carry my thoughts directly to you.

If the Bank sees participating in the program worth the commitment, I think we could put this occasion down to experience.

Sincerely,

6-21-85

Sonia

Let's hang on to this
just in case we
hear more!

J

R1

207

INFORMAL NOTE

Mr. A. W. Clausen June 20, 1985

6-21-85

Tom:

Executive Council on Foreign Diplomats

This is to brief you on what has happened since Tuesday when I informed The Council, by telephone and subsequently by cable, that due to unexpected personal and institutional developments, I was unable to participate in their conference.

Following my telephone conversation with you on Tuesday evening in which we agreed to provide the Council with an experienced substitute, taking into account the level of the participants and the content of the Conference, I contacted Dunstan Wai, Assistant to Kim Jaycox, who is highly experienced in these types of conferences. Prior to joining the Bank, Dunstan organized and led discussions with ministerial and senior officials and experts for the Rockefeller Foundation, the Ford Foundation, the OPEC Fund and the Woodrow Wilson Center. Although he is due to leave on mission on Monday, June 24, he agreed to participate in the Conference as a Discussion Leader in my stead, provided the Council found him to be acceptable, and, of course, Kim Jaycox gave his permission. I agreed with Roy Southworth and Dunstan that we would clear his participation with Kim if the Council agreed.

In the course of the evening, I phoned Mrs. Stoutenberg's Assistant, Andrea White, and gave a profile of Dunstan as the person we would plan to send in my place. About 10:00 p.m. she called back to say Mrs. Stoutenberg said a substitute was unacceptable. Therefore, we dropped the issue and on Wednesday morning I sent a cable for the records, to Mrs. Stoutenberg's son, James Stoutenberg, who is now President of The Council, expressing my regret.

Last night Mr. Stoutenberg called me at home. Because of the menacing accusations he made against me and the Bank, we had an unpleasant exchange of words. First he accused me of causing irreparable harm to their Council, as nobody in 23 years of their existence had ever pulled out of their program in the way I did. Second, the Council was organizing the conference on behalf of the Secretary of State, the Chairman of the Senate Foreign Relations Committee and the President of the United States, all of whom he plans to inform of my and The World Bank's snob and insensitivity. Third, I and the World Bank will definitely suffer for this action. I tried to explain to him that the decision was reached after consultation and painful deliberation with you and taking into account my responsibilities vis-a-vis the delicate issues now before our Board. Because of our sensitivity and concern we were prepared to provide a suitably senior substitute who is well known to some of the participants, such as Ambassador Kenneth Adelman.

Mr. Stoutenberg did not want to listen, since as a matter of principle and policy of the Council nobody who has not participated in their previous programs or discussion leadership training, could be acceptable. He proceeded to make further personal accusations and to imply institutional conspiracy to cause them harm. He indicated that he will get the Chairman of their Board and the Chairman of their Board of Overseers to write to you, not only about my behaviour, but about the intolerable conduct of the Bank.

While I could understand their dilemma over the withdrawal of a Discussion Leader at such short notice, I believe we took the right decision and we further did what we could to offer a good substitute which was rejected by the Council. The institution was therefore ready and willing to help them but their demands were too personalized.

6. In case any of the Council's Board Members raise this matter with you, you can indicate that The World Bank has been very supportive of the work of the Council. I have been associated with their programs since 1977 and recommended many of our Executive Directors to participate in their Wilderness trips. Those who took part at my recommendation include Messrs. Abdulai, Ragazzi, Wang, Dean, Miller, Korpinen and Yamaguchi. In addition, the Bank has hosted at Headquarters a full day's briefing and conference for the Council. I also went to Pittsburgh to address The World Affairs Council at their invitation and insistence. For them to accuse me now of insensitivity to their program, and of endeavours to embarass and destroy them, is unfair and unfounded.

Jim

Tim Thahane

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

R1

189

DATE June 13, 1985 — we received it 6-17-85

TO Mr. A. W. Clausen

FROM Timothy T. Thahane

EXTENSION 72185

SUBJECT Executive Council on Foreign Diplomats

1. Towards the end of March I was invited by the Executive Council on Foreign Diplomats to participate in their 1985 Grand Canyon Wilderness Conference, scheduled for June 14-22. Because of the heavy Board schedule during the weeks preceding the end of the fiscal year, I declined their invitation, although I felt that my participation could have been worthwhile given the focus of the conference on global trade, debt issues, poverty alleviation, and The Third World.

2. Last week I received a call followed by the attached letter from the Council, asking me to reconsider my decision, and participate as a Discussion Leader at the Conference, from June 19-22, to replace one Discussion Leader who had to withdraw from the program at short notice. I again pleaded pressure of work and offered suggestions for substitutes, which did not work out.

6-10-85

3. On Monday I received another call and this time the Chairman of the Board in desperation, wanted to cable you to enlist your support for my release to participate as a Discussion Leader from June 19-22. At this stage I agreed to try to rearrange my schedule and I subsequently accepted the invitation. I therefore plan to be away from the Bank from Wednesday, June 19 through Friday, June 21.

4. Also attached for your information is a copy of the list of participants which looks quite impressive.

cc: Mr. Botafogo

Tom! This was in a R1 file you hadn't seen yet when Tim came to see you ~~Wednesday~~ Tuesday afternoon. I pulled it out when Mrs. Stoutenberg called that evening and thought you might want to see it now.

Tim called the organizers on Tuesday night to explain that personal and business reasons prevented him from attending. He also offered a substitute from the Bank. They refused to accept anyone else and threatened to make an issue out of this. We can anticipate a letter ~~on this~~. Roy 6/21/85

P-1866

Executive Council on Foreign Diplomats

One Byram Brook Place
Armonk, NY 10504
(914) 273-9100

June 5, 1985

Mr. Timothy T. Thahane
Vice President and Secretary
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Thahane:

An outstanding group of ambassadors and ministers from nations around the world, senior U.S. government officials, and U.S. business leaders is participating in the Executive Council's Grand Canyon Wilderness Conference, June 14-22, a list of which is enclosed. Unfortunately, one of our discussion leaders had to withdraw suddenly from the program.

Jim Stoutenberg has told me that you are among the best leaders to work with the Council and would complement perfectly the exceptional group of participants. Will you join us as discussion leader for the conference portion of the program, June 19-22?

The discussions begin on the evening of June 19 and end on June 21. You would return to Washington on June 22.

This is a matter of great importance to this organization and your assistance in this will be greatly appreciated by the Council.

Sincerely,

Robert D. Cavey

Robert D. Cavey
Conference Director

Enclosures

EXECUTIVE COUNCIL ON FOREIGN DIPLOMATS
1985 GRAND CANYON WILDERNESS CONFERENCE
CONFIRMED PARTICIPANTS

DIPLOMATS	COUNTRY	TITLE	POST
Ole BIERRING	Denmark	Ambassador	UN
El Sayed Abdel Raouf EL REEDY	Egypt	Ambassador	DC
H. Roberto HERRERA CACERES Sandra de HERRERA CACERES	Honduras	Ambassador	UN
Eduardo PALOMO Anna Maria PALOMO	Guatemala	Ambassador	DC
Mauricio ROSALES Lilian C. ROSALES	El Salvador	Ambassador	UN
Wallace ROWLING Glen ROWLING	New Zealand	Ambassador	DC
Jacques S. ROY	Canada	Minister (DCM)	DC
Juan Jose ARBOLI	Spain	Minister	DC
Brian L. CROWE Virginia CROWE	Great Britain	Minister	DC
Tak Chae HAN Kyung Hee HAN	Korea	Minister	DC
Peter SATO Michiko SATO	Japan	Minister	DC
Dietrich von KYAW Elisabeth von KYAW	Federal Republic of Germany	Minister	DC
Chuchai KASEMSARN Mesa KASEMSARN	Thailand	Minister-Counsellor	UN

U.S. GOVERNMENT OFFICIALS	DEPARTMENT	POSITION
Kenneth L. ADELMAN Carol ADELMAN	U.S. Arms Control and Disarmament Agency	Director
Alan L. KEYES	Department of State	Ambassador, ECOSOC
Christopher MANION	U.S. Senate Foreign Relations Committee	Professional Staff Member
James M. MEDAS	Department of State	Deputy Assistant Secretary, European & Canadian Affairs
Langhorne A. MOTLEY Judith J. MOTLEY	Department of State	Assistant Secretary, Inter-American Affairs
Paula STERN	U.S. International Trade Commission	Chairwoman
Roger W. ROBINSON, Jr. Joan ROBINSON	National Security Council	Senior Director, International Economic Affairs

BUSINESS EXECUTIVES	COMPANY	POSITION
John F. IMLE, Jr. Carol IMLE	Union Oil Company of California	President, International Division
John P.G. SANDERS Carla SANDERS	Arthur Young and Co., International	Senior Partner
William M. ELLIOTT	Northrop Corp.	Senior Vice President
Robert R. MEYER Janice C. MEYER	Beneficial Corporation	Senior Vice President
Richard D. SHEA	Dillon, Read & Co., Inc.	Senior Vice President
Robert L. WENDT Ruth WENDT	Sperry Corporation	Corporate Vice President
Robert BUHRMASTER Maureen BUHRMASTER	Corning Glass Works	Vice President
William HOLDING Judith K. HOLDING	Morgan Guaranty Trust Company of New York	Vice President, European & Canadian Corporate Banking
Thomas G. BURNS Louise T. BURNS	Chevron Corporation	Assistant General Manager Economics Staff

DISCUSSION LEADER		
John D. MOORE, Jr.	Cushman Realty Corporation	Senior Vice President

CONSULTANTS		
Robert A. GOLDWIN Daisy GOLDWIN	American Enterprise Institute	Director of Constitutional Studies
Charles A. NELSON	Executive Search	President

06/05/85 Total for river portion: 48

FORM NO 27 - OCR
(3/82)

WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

IMPORTANT—PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM

R1

PRIORITY

Typewritten Character Must Fall Completely in Box!

PAGE 1 OF 1

OFFICIAL DEPT/DIV ABBREVIATION: SECGE

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

MR. JAMES STOUTENBERG, PRESIDENT, EXECUTIVE COUNCIL ON FOREIGN DIPLOMATS, ONE BYRAM BROOK PLACE, ARMONK, NEW YORK 10504. DEAR JIM, AGAIN I REGRET THAT DUE TO SUDDEN UNEXPECTED REPEAT UNEXPECTED PERSONAL AND INSTITUTIONAL DEVELOPMENTS RELATING TO DELICATE YEAR-END ISSUES WITH OUR BOARD, I HAD TO CANCEL MY PARTICIPATION IN THE WILDERNESS CONFERENCE. THE SENIOR MANAGEMENT OF THE BANK AND MYSELF PERSONALLY ATTACH GREAT IMPORTANCE TO THE EXCELLENT WORK OF THE COUNCIL AND HENCE OUR EFFORTS TO PROVIDE A SUITABLE SENIOR AND EXPERIENCED SUBSTITUTE. DESPITE THIS UNAVOIDABLE DEVELOPMENT, ON BEHALF OF SENIOR MANAGEMENT, I WANT TO ASSURE YOU OF THE WORLD BANK'S WILLINGNESS TO COOPERATE WITH THE COUNCIL IN ITS FUTURE PROGRAMS WHICH HAVE INCLUDED SEVERAL OF OUR EXECUTIVE DIRECTORS. SINCERELY, T. T. THAHANE, VICE PRESIDENT AND SECRETARY.

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX	TELEX NO.:	DATE: June 19, 1985
SUBJECT: Conference	DRAFTED BY: TTT/yvw	EXTENSION: 72185
CLEARANCES AND COPY DISTRIBUTION: cc: Mr. Southworth	AUTHORIZED BY (Name and Signature): T. T. Thahane, Vice President and Secretary	
	DEPARTMENT: Secretary's	
	SECTION BELOW FOR USE OF CABLE SECTION	
	CHECKED FOR DISPATCH	

DISTRIBUTION: WHITE—File Copy CANARY—Bill Copy WHITE—Transmittal Copy BLUE—Originator to Keep

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Files

295

DATE: August 27, 1985

TO: Memorandum for the Record

CONFIDENTIAL

FROM: Bilsel Alisbah, Acting RVP, WAN

SUBJECT: NIOC - Mr. Clausen's Discussion with AIG Representatives

1. Mr. Maurice Greenberg (President, American International Group), Mr. John Salinger (President, AIG Political Risk Division), and Mr. Douglas Paul (Vice President Strategic Planning, AIG) called on Mr. Clausen on August 21.

2. Their main topic of conversation was the NIOC project in Liberia for which they have insured loans of $14.5 million made by a commercial bank syndicate. In view of the closure of NIOC, AIG has every expectation that the commercial banks will make a claim on AIG later in the year.

3. They explained that such an eventuality would have repercussions beyond Liberia. Political risk insurance has an important role to play in promoting investments in developing countries, the capital available for such insurance is already shrinking and this particular default would further complicate matters. They indicated that the Bank's involvement in the NIOC project had been instrumental in their decision to issue the insurance policy in question and wanted to know whether the Bank could be helpful in their efforts to recover their payment to the commercial banks.

4. Mr. Clausen explained the very difficult economic predicament of Liberia as evidenced by the difficulty they have in servicing their debt to us and to the IMF. He emphasized that throughout their difficulties the Liberians have continued to indicate that they stand by their financial obligations. He also explained that the Government in consultation with us, the IMF and the US Government is attempting to put in place an economic recovery program to address some of the structural problems of the economy. We planned to support such a program with a series of structural adjustment credits. Mr. Clausen underlined, however, that even if such a program is successfully implemented, Liberia's foreign exchange situation would remain very difficult and Liberia's reduction of its external arrears would have to be gradual.

5. Mr. Greenberg appreciated that if and when they pay the claim, they will have to negotiate repayment terms with the Government. Their primary concern was that once such an agreement is negotiated they should not be seen as another commercial lender whose debt is subject to future reschedulings. They again underlined the difference between risk insurance and commercial lending and argued that such an eventuality would be detrimental to evolution of political risk insurance in developing countries.

6. Mr. Clausen indicated that while we cannot guarantee results, we would be happy to indicate to the Government the importance of reaching an agreement with AIG on repaying the NIOC debt guaranteed by them. We would also emphasize to the Government the difference between an insurance company and commercial lenders to help avoid future reschedulings of the AIG obligation.

7. I undertook to inform our Resident Representative in Liberia, Mr. John Kendall, of this discussion. It was agreed that he would not take any action until AIG informs us that they are ready to start bilateral discussions with Liberia.

8. Other areas in which AIG and the World Bank Group might collaborate were also discussed. Mr. Scott will follow up on this discussion with the financial complex.

Cleared with and cc: Mr. Scott, VPLG

cc: Messrs. Clausen
Stern (o/r), SVPOP
Mr. Thalwitz (o/r), WANVP
Mr. Fuchs, WAPDR
Mr. Golan, INDDR
Mr. Reese, WA1DR
Mr. Kendall, WAF
Mr. Southworth, Office of Pres.

BAlisbah:ebc

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE August 20, 1985

TO Mr. A.W. Clausen

FROM Mr. Bilsel Adishah, Acting Vice President, WAN and
Mr. Hugh N. Scott, Acting Vice President, LEG

EXTENSION

SUBJECT Your Meeting with Mr. Greenberg

1. You will be meeting with Mr. Greenberg on August 21 at 5:00 p.m. He will be accompanied by Douglas Paul, Vice President of Planning and John Salinger, head of the Political Risk Section of AIG.

2. AIG is one of the world's leading insurance groups and is probably the most international of U.S. insurance companies. It has pioneered private political risk insurance underwriting in the United States and reportedly accounts for some 80% of all private political risk insurance operations in this country.

3. Mr. Paul tells me that Mr. Greenberg's main topic will be AIG's involvement with the Bank's iron ore rehabilitation project in Liberia. In connection with this project AIG insured loans of $14.5 million made by a commercial bank syndicate led by the Bank of America to the National Iron Ore Company (NIOC) for working capital. The Bank also made loans of $20 million. The project has experienced severe difficulties due to a decline in the iron ore market and in Liberia's competitive position; mining of ore has been discontinued and NIOC is being dissolved by the Liberian Government which will take over obligations for the project loans. As you know, the Government itself is in a difficult financial position and has not been making payment on its own indebtedness. The commercial banks accelerated their loans in June and they have made, or will make, a claim against AIG. Mr. Paul says AIG got involved in the project in reliance on the participation of the Bank and they hope the Bank can be helpful in AIG's efforts to work out fair rescheduling arrangements of the defaulted loans with the Liberian Government.

4. We should inform AIG that the Government's resource position is weak at the moment and that it is having general problems servicing its debt, including that to the Bank. The Bank, the IMF and the U.S. are looking into ways in which some assistance can be provided to reverse the economic decline in the country. The Government has agreed to undertake a program of economic reforms. However, we do not expect much action on the part of the Government due to upcoming elections (November 8, 1985). It may be a while before the economy will turn around. We should assure AIG that we will try to assist them in working out fair arrangements with the Liberian Government, but we should counsel patience.

5. Mr. Greenberg will also want to discuss possible future cooperation between the Bank and AIG in co-financing. In particular, AIG has, together with Trade Finance Corporation (TRAFCO), developed a program that provides a source of fixed or adjustable interest rate funding for medium-term export loans. The financing is provided through "Trade Finance Pass-Through Certificates" issued by TRAFCO which are guaranteed by AIG. A large meeting was held this spring with Bank staff to discuss this program and explore possibilities of cooperation with the Bank. It was suggested at this meeting that the Bank, under its guarantee powers, co-insure government obligations with AIG. The staff questioned whether the term of AIG's coverage could be extended in response to the Bank's participation; it was also questioned whether the TRAFCO/AIG program would provide borrowers with funds at lower costs than alternative methods of financing.

6. Finally, Mr. Greenberg will ask how AIG can be of assistance to our MIGA initiative. AIG, in the past, has taken the position that MIGA would be a useful complement to private political risk insurers rather than a competitor, and it would be useful if AIG can continue to take this position. When the Convention is open for signature and preparatory work is being done on operational policies, MIGA will almost certainly have talks about cooperation with private political risk insurers.

BAlisbah/HNScott:ls

8-12-85 Copy to Mr Shehata

TELEPHONE MESSAGE FROM DOUGLAS PAUL OF AIG:

Re Mr. Greenberg's meeting with AWC on August 21, he and his associates wish to discuss the following:

A. Their political risk insurance activities

1) some assistance from the WorldBank in a claim in Liberia on a World Bank project

2) areas of possible cooperation on financing and co-insurance to assist World Bank projects

3) MIGA--how they (AIG) might be of assistance.

If any further clarification or discussion is needed, Douglas Paul , Vice President of Planning of American International Group, should be contacted--212-770-7440/

Helen

Helen Higgins

FORM NO. 89
(2-83)

THE WORLD BANK

ROUTING SLIP	Date August 2

OFFICE OF THE PRESIDENT

Name	Room No.
Nadie	E 723

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

We spoke the other day about the meeting Mr. Clausen is scheduled to have with Maurice Greenberg on Wednesday, Aug. 21 at 5 p.m. Roy Southworth has since learned that Mr. Greenberg had lunch with Joe Wood recently. Mr. Wood has thus suggested that whoever is preparing the briefing for Mr. Clausen's meeting get in touch with him as he knows more about what Mr. Greenberg wants to discuss.

Myra Holsinger

From

FORM NO. 89
(2-83)

THE WORLD BANK

ROUTING SLIP	Date July 10

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Shihata	E 723

Roy

I believe it would be helpful to call him and see exactly what he has in mind, that is, if the matter is worth pursuing

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

Re the attached letter. Do you know what he's talking about? Should we set something up?

Roy Southworth

From

Aug 21 @ 5

856

AMERICAN INTERNATIONAL GROUP, INC.
70 PINE STREET
NEW YORK, N.Y. 10270

OFFICE OF
MAURICE R. GREENBERG
PRESIDENT

June 28, 1985

Mr. A. W. Clausen
President
The World Bank
1818 H Street N. W.
Washington, D. C. 20433

Dear Tom:

Several matters have come up in connection with political risk insurance where the World Bank is obliquely involved and it will be very helpful if we can meet with you and some of your senior staff involved in project financing to discuss these issues.

It has been a long time since we have seen each other and I look forward to seeing you. My office will call yours for a date that suits your calendar.

With warmest regards,

Sincerely,

Hank

(212) 770-7213

April 5, 1985

Dear Minister Bra Kanon:

Thank you for your letter of 13 March outlining APROMA's important work aimed at improving developing country use of international commodity markets. As you are aware, this is an area where my colleagues at the World Bank have been working for some time. I am attaching a paper recently prepared on the topic of "Risk Management in Commodity Markets: Application for Third World Exporters," in which you expressed interest.

I also share your concern that the World Bank should build on past studies of commodity financing and trading strategies and work with groups like APROMA in order to help developing countries in these matters. As you probably already know, we are stepping up our efforts to assist Sub-Saharan African countries, and effective use of export opportunities is an essential part of this program. I am therefore asking G. Edward Schuh, Director of Agriculture and Rural Development, to see how we might take up your suggestion to collaborate in helping APROMA member countries. In addition, I understand that Clifford Lewis of the Agriculture and Rural Development Department has accepted your staff's invitation to speak at the "Commodity Trade Finance Conference," being held at the Royal Tropical Institute in Amsterdam.

Thank you once again for bringing this matter to our attention.

Sincerely,

(Signed) A. W. Clausen

H. E. Denis Bra Kanon
President d'APROMA
Minister of Agriculture and Forests
Republic of Ivory Coast
Square Ambiorix, 23 Bte 45
1040 Bruxelles, Belgium

Cleared with and cc: Mr. G. Edward Schuh, Director, AGR
cc: R. Southworth, EXC

CMLewis/dpb

March 13,1985

Roy:

The gist of this letter is; APROMA has recently learned of WB studies on financing trade of raw materials and particularly managing risk, etc. Their association was created by the EEC and its object is study and technical assistance in the field of raw materials (coffee, cocoa, cotton, oil seeds ..) and members are European and African professionals in these areas. 25 countries are represented (from Africa, the Caribbean & the Pacific).

Having done some studies as regards transport, forward markets, they are now interested in the financial aspects of these markets, and more particularly, in the possibility of improving the financial management of operations as well as the management of different risks. They have selected specific cases to study - the countries of the Sahel for Peanuts, the Ivory Coast, Tanzania & Kenya for coffee,

Ghana, Cameroon & Ivory Coast for cocoa. Because the methods of the WB studies seem to follow closely their own, they are wondering if the WB would be willing to cooperate them in a joint program of research.

Would like to hear back about this & is also informing us that they are organizing a symposium at the Royal Tropical Inst. in Amsterdam on April 22-24 on the financing of raw material trade (something like that!). Would be happy to welcome representative from the WB.

Denis Bra Kanon
President of APROMA
Min. of Agriculture, Water
& Forests of Ivory Coast

FORM NO. 89
(2-83)

THE WORLD BANK

ROUTING SLIP	Date March 25, 1985

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Schuh	N-1136
cc: Mr. Husain	

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

I understand your people are working on this. Would you please prepare a reply for Mr. Clausen's signature by March 29?

Thanks.

Roy Southworth

Will's draft in your IN Box.

From

APROMA

Association des produits à marché
C.E.E. / A.C.P.

Square Ambiorix, 23 Bte 45
1040 Bruxelles
☎ 735.51.45
Télex 65887

Bruxelles, le 13 Mars 1985

354

Mr. A.W. CLAUSEN
Président
The World Bank
1818 H Street N.W.
Washington D.C. 20433
U.S.A.

Monsieur le Président,

Notre association a été amenée à prendre connaissance, récemment, des études menées par vos services, sur le thème du financement du négoce des produits de base, et plus particulièrement sur ceux de la gestion des risques de prix et de change.

Créée à l'initiative de la Commission des Communautés Européennes, APROMA a pour mission : la formation, l'étude et l'assistance technique dans les domaines des matières premières (café, cacao, coton, oléagineux, ...) et pour membres les professionnels européens et africains de ces secteurs.

Vingt cinq pays A.C.P. (Afrique, Caraïbes, Pacifique) sont représentés dans l'APROMA par leurs Caisses de Stabilisation, exportateurs, etc...

Au stade actuel, après avoir mené un certain nombre de travaux de recherche en matière de transport, de marchés à terme, ..., notre association est amenée à s'intéresser aux aspects financiers de ces marchés, et plus particulièrement, aux possibilités existantes d'améliorer la gestion financière des opérations, ainsi que la gestion des différents risques.

Pour cela, il est envisagé de sélectionner parmi les Etats A.C.P. un certain nombre de cas spécifiques qui pourraient faire l'objet d'études particulières, dont les résultats seraient transmis à l'ensemble des membres de notre Association.

.../...

A cet effet, nous avons pensé que les pays de Sahel en ce qui concerne l'arachide, la Côte d'Ivoire, la Tanzanie et le Kenya pour le le café, le Ghana, le Cameroun et la Côte d'Ivoire pour le cacao, pourraient constituer des terrains d'analyse et d'experience représentatifs des situations que l'on trouve dans les différents Etats.

Dans la mesure où les études que mène la Banque Mondiale semblent suivre une voie semblable à la notre, à savoir l'amélioration de la gestion financière de nos exportateurs par l'utilisation des outils et systèmes appropriés, nous nous demandons si une coopération entre la Banque et notre association ne pourrait pas être envisagée et un programme de recherche conjoint développé.

Nous serions très heureux de connaître votre point de vue sur ces propositions, et profitons de l'occasion pour vous informer qu'APROMA organise au ROYAL TROPICAL INSTITUTE d'Amsterdam du 22 au 24 Avril 1985 un symposium international sur les thèmes évoqués ci-dessus : le "Financement du Commerce des Produits de Base", manifestation à laquelle nous serions particulièrement honorés d'accueillir des représentants de la Banque Mondiale.

Veuillez agréer, Monsieur le Président, l'assurance de ma haute considération.

Denis BRA KANON

Président d'APROMA
Ministre de l'Agriculture, des Eaux et Forêts
de la République de la Côte d'Ivoire

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE March 26, 1985

TO Mr. G. Edward Schuh, Director, AGR

FROM Clifford M. Lewis, AGREP CMLewis

EXTENSION 61736

SUBJECT Response to APROMA on Collaboration in Work on Commodity Trade and Finance Strategies

1. As we discussed today, I have prepared a draft letter for Mr. Clausen's signature in response to the letter of 13 March from Minister Bra Kanon who is President of APROMA (attached). As the 13 March letter indicates, APROMA was set up by the EEC as part of the Lome Agreement. It was designed to run a commercially oriented technical assistance and training program. APROMA also brings EEC commodity traders, bankers and freight forwarders together with developing country officials, public and private, involved in commodity trading (from member ACP countries) to discuss matters of common concern. I have been involved in helping APROMA staff and consultants for sometime. While the impact to date on ACP countries has been limited, the basic approach has been sensible. In particular, work on technical aspects of commodity trading such as freight and payment arrangements--where the Africans often incur large losses--has been useful. Given this and the availability of EEC funding for additional work, I think a favorable response to Minister Bra Kanon is advisable.

2. The letter from Mr. Clausen and the follow-up collaboration proposed is part of our larger effort to help improve Sub-Saharan African trade strategies. Regional staff recognize the need to move into operationally focused programs and have pointed out that relatively large resources are available for studies and technical assistance (either as part of approved projects or the various special project preparation facilities which have been set up for Africa). We are therefore concentrating on working within existing operational frameworks to implement our program on commodity export trading strategies for selected Sub-Saharan countries (outlined in AGREP Division Working Paper #95 which you commented on in a 15 January memorandum). This approach has been strongly supported by Regional staff concerned (e.g. Tariq Husain, Senior Projects Economist in West Africa and by Chuck Humphreys in the Special Office for Africa). In addition, we are working with Michel Beguery who is responsible for co-financing in West Africa on some test cases for integrating trade liberalization and export promotion measures with better access to international financial markets (as well as better use of international commodity marketing tools). Ivory Coast, where Minister Bra Kanon is responsible for agricultural trades financing arrangements, is a possible starting point for these efforts--which is

another reason why his letter is potentially useful. I will be preparing a more complete report on this program after we agree on the country cases with the Region (this effort is being coordinated by Ron Duncan at EPD).

3. I am also planning to participate in a symposium being run by APROMA on commodity trade finance (at the Royal Tropical Institute in Amsterdam on 22-24 April). Participants will include developing country officials involved in various aspects of their country's export trading systems. Senior officials from marketing boards, central banks, regulatory agencies and freight companies will all be attending (along with participants from Europe). I will be giving a speech outlining new trends in trade finance and risk management that Sub-Saharan African countries could benefit from. Much of the material for this presentation will be drawn from a background paper already in draft (which is attached). Hopefully the symposium will provide an opportunity for expert review of completed background work, gathering new information about how specific commercial policies could be improved and laying the groundwork for pilot operations in some of the countries which will be represented.

cc: Messrs. Pickering/Vyas/van Holst Pellekaan/Argyle/Brown (AGR)

CLewis/dpb

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE March 26, 1985

TO Mr. A. W. Clausen, President

FROM C. Michalopoulos
(through: Mrs. Anne O. Krueger)

EXTENSION 60027

SUBJECT Briefing Memorandum for Lunch with Ambassador Brock

Objectives

Your luncheon with Ambassador Brock, recently nominated to be U.S. Secretary of Labor is intended to serve the following purposes: (a) to discuss U.S. views as to the appropriate next steps in launching a new round of trade negotiations in the GATT; (b) to determine in a general and preliminary way what the U.S. expects to get from such a round in the nature of concessions from the developing countries and what it might offer in exchange; (c) to explore the role that the Development Committee can play during the April 1985 and subsequent meetings to further the trade liberalization process; and (d) to assure him that the World Bank will continue its efforts to promote trade lberalization in developing countries through SALs and other lending instruments.

U.S. Views

The U.S. Government is pressing ahead on two fronts to further the cause of trade liberalization. It is suggesting the adoption of a set of guidelines for the rollback of existing import restrictions by the OECD and it is proposing concrete moves towards a new round of multilateral trade negotiations (MTN).

The proposed guidelines would incorporate the principles of transparency in protective action, i.e. eliminate covert protection through informal trade restraints; multilateral surveillance of protection and progressive decline over time and limited duration of protective measures.

The U.S. is further proposing that the OECD Ministerial meeting in April establish a preparatory Committee to plan for the new round of MTN and that the OECD members set 1986 as the starting date for the negotiations. The OECD Committee would be asked to identify the objectives and to determine the modalities of the new MTN. As regards the negotiations themselves, the U.S. has the following primary aims:

- Liberalize non-tariff measures by negotiating the elimination over time of those which do not conform with the GATT as well as of agricultural export subsidies.

- Increase GATT discipline by establishing a safeguard code based on the principles stated above and improve the GATT dispute settlement mechanism.

- Extend the application of GATT rules to high technology products, services, intellectual property, and direct investment.

- Provide for trade liberalization by developing countries by strengthening GATT discipline on actions taken by these countries on balance of payments grounds and by limiting the application protection on infant industry grounds now permitted under the GATT.

Developing Country and European Community Views

Among developing countries, so far only Korea and the ASEAN countries have endorsed the idea of a new round of multilateral trade negotiations. The reaction on the part of other countries, including Brazil and India, has ranged from mildly negative to downright hostile. In particular, hostility has been expressed in regard to the inclusion of services in the negotiations.

The last point particularly rankles the United States that considers the services issue as an important part of any MTN. The U.S. is also disappointed with the developing countries apparently wanting to obtain unilateral concessions, in regard to textiles for example, without offering concessions in return. But, the U.S. feels that the developing country position may change in the future and there is some cautious optimism as regards the discussions on services to begin shortly in GATT.

At their March 1985 meeting, the EEC Foreign Ministers issued a declaration, endorsing the need for a new round of multilateral trade negotiations. A precise date was, however, not set; it is reported that the EEC would recommend the formal launching of the negotiations for late 1986 or early 1987.

U.S. views and the Bank

The Bank paper on Trade, Protection and Development prepared for the Development Committee for the April meeting was reviewed by Brock's staff including Mr. Feketekuti who will be at the lunch and their reactions were quite favorable.

We generally agree with the U.S. views on a new round and the need to liberalize NTMs both in industrialized and developing countries,

increase GATT discipline and establish an effective code on safeguards. We have stayed away from the issue of services and high technology, because basically both the facts of the matter and U.S. intentions are unclear.

While we have stressed the usefulness of reciprocity as a means of greater involvement of developing countries in trade liberalization through the GATT, we have also encouraged and supported developing countries' unilateral trade liberalization through SALs. At the same time, we have stressed that industrial countries ought to give a strong signal of their intention to liberalize. It is difficult for the Bank to continue to advocate liberalization in developing countries, if industrial countries protection does not decrease.

The U.S. has just announced the lifting of the voluntary export restraint on autos with Japan. While this is a useful step, it would be important if the industrial countries, including the U.S., were to take some liberalizing action in an area of interest to developing countries in order to encourage their participation in the MTNs.

The Multifiber Arrangement (MFA) is of particular importance in limiting developing exports of textiles and clothing. The arrangement terminates in June 1986. Unless the industrial countries are willing to give a signal that they are prepared to liberalize it, it would be hard to convince the developing countries that participation in the MTN could yield meaningful results for them.

THE WORLD BANK

Office of the President

March 20, 1985

Anne Krueger
Javed Burki
Costas Michalopoulos

You will recall that a lunch has been scheduled for Monday, April 1 to discuss trade issues with Ambassador Brock, the U.S. Trade Representative. The lunch will take place at 12 noon (to accommodate the Ambassador's schedule) in Mr. Clausen's dining room.

For your information, the Ambassador will be accompanied by:

Amb. Michael Smith, Deputy Trade Representative
Geza Feketekuty, Senior Assistant Trade Representative for Trade Policy Development and Coordination
Harvey Bale, Jr., Assistant Trade Representative, Investment Policy.

Roy

Roy Southworth

April 1

March 1, 1985

Dear Bill:

Recently we spoke about getting together to talk about trade issues. As you know, the upcoming meeting of the Development Committee here in Washington on April 18 and 19, will focus largely on trade. Therefore, I am wondering if you and some of your colleagues would be free to join some of us here at the Bank for lunch and a discussion of this topic within the next few weeks.

The following dates are good for us here, and, hopefully, one will be convenient for you as well: March 11 and 25, or April 1, 3 and 5. If you will get in touch with my office (447-2001), we will make the arrangements.

I look forward to getting together with you.

Warm regards.

Sincerely,

A. W. Clausen

The Honorable
William E. Brock
United States Trade Representative
600 Seventeenth Street, N. W.
Washington, D. C. 20506

bcc: Mrs. Krueger
Mr. Burki
Mr. Michalopoulos

MH

action

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE January 16, 1985

TO Mr. A. W. Clausen, President

FROM C. Michalopoulos, VPERS

EXTENSION 60027

SUBJECT Development Committee Meeting

1-22 Roy - OK!! set up please. A

On a recent trip to Europe, I had the opportunity to discuss with the Executive Assistant to Brock, the U.S. Special Trade Representative, the possibility of a meeting between you and Brock to discuss trade issues as they relate to the Development Committee meeting in April. The Executive Assistant consulted Brock who was agreeable for such a meeting, and Anne Krueger also thought it would be a good idea.

If you agree, I will take steps to arrange such a meeting in the next few weeks. The purpose of the meeting would be for you to seek Brock's views on two issues: First, the prospects for trade liberalization within the GATT as it affects developing countries. Second, the role that the Develop-ment Committee meeting in April can play in support of this process.

cc: Mrs. A. O. Krueger, VPERS
CM/mp

395-3204 - Carol Browning
Dennis Whitfield
Directly Secretary
~~Jan 31~~
Feb 8 - 12 30
Mc 5 or 6 -

Myra?
See me please
Roy
1-25

RECEIVED

1985 JAN 22 AM 11: 30

OFFICE OF THE PRESIDENT

Pinto

M2 Dawson

1:00

8

APPETIZERS

Petite Marmite - Cream of Tomato	$0.90
Fruit Juices - Fruit Cup	$0.85
Asparagus Vinaigrette $1.90 - Melon	$1.45
Marinated Herring $2.75 - Chicken Liver Pate	$3.20

ENTREES

OEUFS POCHÉS JARDINIERE $4.45
(Vegetable Plate with Poached Egg)
FRICASSEE DE POULET A L'INDIENNE $5.75
~~(Curried Chicken in Pastry Shell)~~
ESCALOPE DE VEAU A LA FRANCAISE $6.75
(Medallions of Veal)
FILET DE SOLE PROVENCALE $6.50

FROM THE GRILL - COOKED TO ORDER R() M() W()

LOW CALORIE: SIRLOIN STRIP STEAK $7.35
TWO BROILED LAMB CHOPS $7.25
CHOPPED SIRLOIN STEAK W/MUSHROOM SAUCE $5.15

••• FILET MIGNON, SAUCE BEARNAISE $9.00 •••

Please Indicate if Desired: SALAD

VEGETABLES - CHOICE OF TWO
Parsley Potatoes
Buttered Beets
Broccoli Hollandaise

***

COLD PLATES AND SANDWICHES

ROAST BEEF PLATE GARNIE $4.70 FRUIT PLATE W/COTTAGE CHEESE $4.70
PASTRAMI SANDWICH $4.30

DESSERTS

Sherbert - Ice Cream	$1.00
Chocolate Mousse $2.75 - Peach Melba	$1.20
Assorted Pastries - Tartlets - Cakes	$1.45
Cheese and Crackers - Fresh Fruit	$1.40

APERITIFS - BEVERAGES

Sherry Sweet or Dry $0.85 Dubonnet $0.85
Coke $0.70 Ginger Ale $0.70 Milk $0.35
Perrier $1.10 Tea $0.35
Coffee $0.35 Decaffeinated Coffee $0.35 Espresso $0.55

Monday April 1, 1985
4

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE May 6, 1985

148 TO Files

FROM Frank Vibert, Senior Adviser, Cofinancing, VPCOF F.V.

EXTENSION 72381

SUBJECT Meeting between Mr. Clausen and Mr. Roland-Billecart, President, Caisse Centrale de Cooperation Economique (CCCE)

On Friday, May 3, Mr. Clausen met with Mr. Roland-Billecart. Messrs. Gilbert Mourre, Deputy Director, CCCE, Christian Flamant, Assistant to ED (for IMF affairs and African affairs for both Bank and Fund), Bruno de Maulde and myself were also present.

Mr. Roland-Billecart explained that he was finishing a week of discussions with Bank staff on what had become a traditional annual visit. Speaking about Sub-Saharan Africa he felt that "big progress" had been made in the way countries in Sub-Saharan Africa were responding to the need for policy reforms. He mentioned Niger, Mali, Senegal, Madagascar and Mauritania as examples of countries taking the right policy steps. At the same time he had misgivings for the future. He felt that the reform momentum would be lost if the flow of financial resources to these countries was not increased. Repayments to the IMF on account of past drawings were part of the problem as well as other debt service payments. More partners were needed to help in financial "gap filling." He felt the World Bank would have to take over the lead financial role from the IMF because the financial needs of Sub-Saharan countries could not be met by 5-year loans on market terms.

Turning to the World Bank's program, Mr. Roland-Billecart said he felt the program was not moving as fast as was necessary and that perhaps we were trying to set over-ambitious objectives in our policy work. He mentioned, as an example, the possibility of achieving parastatal reform through step-by-step reforms, spread over a period of years, rather than trying to achieve too much at one time. He felt there was a need to find "new ways" of channelling money involving less time lost on project/program preparation and appraisal.

For its own part, CCCE is pursuing limited policy objectives while helping Sub-Saharan countries by providing quick-disbursing finance in support of IMF conditions and Paris Club arrangements. He mentioned, in response to a question from Mr. Clausen, that Bank-CCCE cooperation was working smoothly but he had detected a certain lack of familiarity in the West Africa Region on the part of new management, with the 1982 administrative arrangement with CCCE. He also mentioned, in the case of Telecommunications where in the past there had been an understanding that CCCE could meet part of the sector financing needs on a parallel financing basis, that the Region appeared to be moving away from this approach. This meant that CCCE would no longer be able to finance the sector in association with the Bank.

File please

FVibert/lo

cc: Messrs. Southworth, Stern (o/r), Ohuchi, Thalwitz, Jaycox, Beguery and Schott

FRANCE

Mr. Clausen's Meeting with

MR. YVES ROLAND-BILLECART
President, Caisse Centrale de Cooperation Economique (CCCE)
3:00 P.M. Friday, May 3, 1985

KEY POINTS

Mr. Roland-Billecart will be holding detailed discussions with the two Africa regions and with cofinancing. He will want to talk to you about the relationship between the Bank and the Caisse Centrale in more general terms, and will probably touch on the following topics:

Cooperation between the two institutions, including periodic consultations and coordination of loan programs.

-- You might say that the Bank is very happy with the ongoing cooperation arrangements, and looks forward to their continuation. CCCE is one of our most important sources of official cofinancing.

The aims and conditionality of structural adjustment lending. CCCE does some lending for adjustment, but in view of the small size of its loans, cannot exert very much influence, and concentrates on sectoral rather than macroeconomic adjustment.

-- You should stress that the Bank uses its SALs and sector loans, as well as the African Facility to support programs of policy reform, and that we would encourage CCCE's cooperation in support of such programs.

Rehabilitation projects.

-- CCCE is active in this area. The Bank is aiming to expand this part of its African lending, and we are very glad that CCCE has similar priorities.

Likely growth of Bank lending to CCCE's borrower countries.

-- You should say that, despite the small size of IDA7, the Bank Group gives high priority to Sub-Saharan Africa.

-- Twenty-five of the 31 Sub-Saharan countries served by CCCE are IDA-eligible, and will be eligible for African Facility lending if they undertake suitable reform programs. About 15 of these countries are promising candidates for African Facility operations.

CCCE lends about 14% of its funds to Ivory Coast and 9% to Cameroon, both of which are IBRD only.

-- You may wish to say that we have a very strong lending program in Ivory Coast, whose size will depend mainly on the pace of policy reforms. We are also aiming to strengthen our lending in Cameroon.

The Caisse Centrale de Cooperation Economique (CCCE)

The Institution

1. The Caisse Centrale is a French development bank, which lends principally to a group of 34 mostly French-speaking African countries. In 1984 CCCE lent a total of about $550 million equivalent, similar to 1983 and about 20% above its 1980-81 lending level.

Lending Priorities

2. Its main lending priorities are the productive sectors (principally rural development, electricity and transport), and it is putting increasing stress on the rehabilitation and maintenance of production capacity. CCCE also undertakes some structural adjustment lending to countries in financial difficulties, which has made up about 1/8 of its lending over the last five years.

Lending Instruments

3. Most lending is from the concessional "first window", usually at an interest rate of 5%, though smaller amounts are lent on a special terms rate of about 1-1/2%. Its "second window", however, is on commercial terms and accordingly carries high nominal interest rates (about 13.3% at the end of 1984). CCCE's structural adjustment loans are from this second window, but are under Treasury guarantee and are subsidized by the Ministry of External Relations. They currently carry a rate of around 8.5%.

Country Focus

4. Most of CCCE's "second window" loans and all of its SALs have been to the richer countries among its recipient group. Their five largest borrowers during 1980-84 were: Ivory Coast (14%), Senegal (11%), Cameroon (9%), Madagascar (7%), and Niger (6%). Five countries received structural adjustment loans in 1984, namely: Congo, Madagascar, Niger, Senegal, and Togo, each getting $10 to $15 million. The 12 poorest countries (those with a GDP of less than about $300) took 25% of its total lending, and are not excluded from receiving SALs.

Cofinancing with the Bank

5. CCCE stresses coordination with other donors. In 1984 it undertook nine cofinancing operations with the Bank Group, which was the largest of their cofinancing partners. About $100 million of Bank Group funds were involved, almost all from IDA. From the Bank's point of view, CCCE was the seventh largest source of cofinancing in FY84 in terms of funds involved, and the third largest in terms of numbers of projects.

Conclusion

6. The CCCE thus shares many of the Bank's priorities in Africa, and cooperation between the two institutions is highly successful.

FPAFS/RLaslett:cce
5/01/85

Cofinancing

Agreement for Cofinancing

1. The French initiated the Agreement for Cofinancing in January of this year. The Agreement covers all three types of cofinancing, but the official cofinancing provisions are the most significant. For all types of cofinancing, consultations between France, the recipient country and the Bank are emphasized.

2. On the official side, the French have targetted FF 2 billion (about US$200 million equivalent) over a period of two years in the form of French Treasury protocols. These protocols are their principal bilateral aid instrument for countries outside of Francophone Sub-Saharan Africa. They consist of a French Treasury loan with an appropriate concessionary element and a private credit, and may also include a Treasury grant. They are thus mixed credits and as such are controversial aid instruments among DAC member countries. The Agreement with the Bank, therefore, includes a specific reference to DAC principles in order to avoid complications due to the nature of the financing. The fact that the Agreement extends cooperation and cofinancing with France to all parts of the developing world covered by the French aid program is of prime importance to the Bank. In addition to Francophone North Africa (e.g., Morocco and Tunisia) and Anglophone Africa, the protocols cover the major countries of South and Southeast Asia.

2. On the export credit side, the Agreement provides specific procedures for early expressions of interest and involvement in project design by the French entities concerned.

3. A significant feature of the section dealing with commercial bank cofinancing is that commercial loans cofinanced with the Bank are to be recognized as high quality assets in supervision by the French authorities.

Official

4. From FY75 to FY84, France, through its bilateral agencies, has contributed in cofinancing a total of US$742.6 million, 97% of which has been for Sub-Saharan Africa. The Caisse Centrale de Cooperation Economique (CCCE) contributed US$581.7 million for 66 projects and the Fonds d'Aide et de Cooperation (FAC) contributed US$159.8 for 55 projects.

Private

5. From FY75 to FY84, eight French commercial banks have participated informal cofinancing arrangements in 11 projects, making a total contribution of US$86.0 million. These participations represent about 4% of the Bank's total traditional cofinancing from commercial institutions.

6. Since the inception of the pilot B-loan program in January 1983, a total of eight French banks have participated in 6 B-loans. In four of these, French banks have been either lead manager or agent.

Export Credits

7. Despite their discouraging attitude at the meeting of Export Credit Agencies held in 1982, extensive follow-up discussions were held with the French authorities responsible for export credits in May and November 1983. The results were quite positive, and the export credit financing provisions of the new Agreement reflect the desire of the French authorities to increase this type of cofinancing.

World Bank Cofinancing Operations with France

Official Cofinancing, FY75-84

	FAC	CCCE	Other	Total
No. of operations	55	66	2	---
Amount (US$ Million)	159.8	581.7	1.1	742.6

Private Cofinancing, FY75-84

Traditional

No. of participating banks	8
Amount	US$86.0 million

B-Loan Program

No. of participating banks	8
Amount	US$68.8 million

VPCAU
April 1985

Biographical Information

Yves ROLAND-BILLECART

Director General, Caisse Centrale de Cooperation Economique

Experience

Since 1979	- Director General, Caisse Centrale de Cooperation Economique (CCCE, Central Fund for Economic Cooperation)
1968 - 1979	- Assistant Director General, CCCE
Since 1973	- Professor of the Institute for Political Studies at Paris
	- Trustee of the National Bank of Paris
1966 - 1967	- Technical Advisor to the Secretary of State for Foreign Affairs
1957 - 1958	- Technical Advisor to the Tunisian Minister of Finance
1956	- Inspector of Finance
1952 - 1955	- Assistant Inspector of Finance
1950 - 1952	- Student at the National School of Administration

Education

Master of Arts in Law from the Institute for Political Studies in Paris
Law School of Paris
College of Saint Joseph at Rheims

Personal

Born August 11, 1926 in Paris
Married, with 6 children

April 9, 1985

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: February 14, 1985

TO: Mr. A. W. Clausen

FROM: Eugene H. Rotberg

SUBJECT: Lunch with Goldman Sachs - Friday, February 15

Tom:

John Weinberg is the Chief Executive Officer of Goldman Sachs. He previously shared that responsibility with John Whitehead who, as you know, recently announced his retirement from Goldman Sachs.

John Gilliam is responsible for Underwriting/Syndicate Department. He prices our domestic issues and is responsible for syndicating the deals managed by Goldman Sachs.

Gary Rose is responsible for following activities of the Bank on a continual basis and probably knows as much about the Bank's operations, its financial activities, etc., as anyone on Wall Street.

Dan Hofgren arranges meetings and introduces people to each other and is sort of a lobbyist/provider of information about the Washington scene and the World Bank to his principals in New York.

Mr. Clausen February 14, 1985

Tom--

I thought you might want this short briefing note on some of our recent financial relationships with Goldman Sachs.

Gene Rotberg

BRIEFING NOTE
GOLDMAN, SACHS & CO.

THE FIRM

Goldman, Sachs & Co. ("Goldman"), with $585 million in partners' capital at its fiscal year end November 30, 1984, is one of the largest securities firms in the United States.1/ It remains one of the last major Wall Street houses structured as a privately-held partnership. Goldman is an institutional house in the orientation of its business and is well-known both for the breadth of its list of underwriting clients and its willingness to commit substantial capital to securities positions in order to facilitate institutional trading. In addition to its traditional underwriting, market making, M&A and investment advisory business, Goldman is active, inter alia, in real estate and commodities and precious metals trading (through J. Aron & Company).

RELATIONSHIP WITH THE BANK

1. Domestic Public Issues in U.S. Dollars. Since 1980, when it was invited to join the group of revolving comanagers for our domestic U.S. dollar issues, Goldman has lead-managed 3 transactions totalling $700 million and underwritten $750 million total in medium- and long-term IBRD securities. Goldman is currently number 4 in line to lead-manage in the U.S. market.

2. Discount Notes. Goldman is one of 5 dealers placing the Bank's discount notes. For FY85, as of January 31, 1985, Goldman, at 23%, ranked second behind Lehman (30%) in volume of DNs handled.

3. Eurodollars. Except for a hiatus in 1982, Goldman's London affiliate has been a comanager in our Eurodollar issues since 1981 and has participated in transactions totalling $2.8 billion. More recently, in our 12-1/4%, 10-year issue in November they were elevated for this issue to co-lead status. This was a part of a broader effort on our part, beginning with the 12-7/8%, 10-year issue in August, to strengthen support for our issues among U.S. houses by broadening the co-lead group from the traditional two (Deutsche and CSFB). [We have made no long-range decisions in respect of the structure of the management group.]

In other euromarket developments, Goldman in 1983 stripped the coupons from a portion of our 11-1/8% 15-year Bonds of 1983, due 1998 in an effort, to which we did not object, to sound the euromarkets' receptivity to stripped-coupon securities. The reception was mixed, for two reasons: First, the small size of each coupon payment deterred institutions concerned about liquidity. Second, there was little or no demand among retail buyers for the intermediate maturity stripped coupons.

1/ Regulatory (SEC) net capital was $587 million at 11/25/84. By way of comparison Merrill Lynch had $329.8 million in SEC net capital although its stockholders' equity ($1.9 billion) is much larger.

Mr. Clausen 100

APPETIZERS

8

Chicken Consomme - Shrimp Gumbo	$0.90
Fruit Juices - Half Grapefruit	$0.85
Artichokes Vinaigrette $1.90 - Duck Pate w/Port Wine	$3.15
Salmon Mousse $3.20 - Melon ~~with Prosciutto~~	$1.75

ENTREES

BOUCHEE A LA REINE $5.35
(Creamed Chicken in Pastry Shell)
LOW CALORIE: BROCHETTE DE AGNEAU MELANAISE $7.15
(Lamb Brochette)
ESCALOPE DE VEAU OSCAR $8.10
(Veal Scallopine w/Crabmeat)
DARNE DE SAUMON DIPLOMATE $6.75
(Poached Salmon)

FROM THE GRILL - COOKED TO ORDER R() M() W()
RIBEYE STEAK $7.35
TWO BROILED LAMB CHOPS $7.25
CHOPPED SIRLOIN STEAK W/MUSHROOM SAUCE $5.15
••• FILET MIGNON, SAUCE BEARNAISE $9.00 •••

Please Indicate if Desired: SALAD — Belgian endive w/ bacon
rice pilaf

VEGETABLES - CHOICE OF TWO
Fried Potatoes Broccoli with Cheese Sauce Yellow Squash Nicoise

***

COLD PLATES AND SANDWICHES
FLORENTINE SALAD $4.70 FRUIT PALTE W/COTTAGE CHEESE $4.70

PATE MAISON ON TOAST $4.50

DESSERTS

Sherbert - Ice Cream	$1.00
Chocolate Mousse $2.75 - Peach Melba	$1.20
Assorted Pastries - Tartlets - Cakes	$1.45
Cheese and Crackers - Fresh Fruit	$1.40

APERITIFS - BEVERAGES

Sherry Sweet or Dry $0.85 Dubonnet $0.85
Coke $0.70 Ginger Ale $0.70 Milk $0.35
Perrier $1.10 Tea $0.35
Coffee $0.35 Decaffeinated Coffee $0.35 Espresso $0.55

Friday
5

February 15, 1985

Wine - Freemark Abbey (white)

THE WORLD BANK

Office of the President

Goldman Sachs lunch
2/15/85

Mr. Clausen
Mr. Stern
Mr. Wolfensohn
Mr. Ayres
Mr. Chenery
Mr. Baum
Mr. Gulhati
Mr. Stern
Mr. Wolfensohn
Mr. Ayres
Mr. Chenery
Mr. Baum
Mr. Gulhati

Southworth

This has been sent to N.Y.
Mr. Clausen saw, ~~it~~ and
approved it, this morning.
You might want to keep a
copy in his signature file.

The World Bank
Washington, D.C. 20433
U.S.A.

Mr Southworth
OK

June 13, 1985

The International Banking Community

Dear Sirs:

After a long period of solid performance, Colombia experienced a deterioration of its external and fiscal accounts, with exogenous factors contributing significantly to the turn of events. The Colombian Government responded by adopting a significant adjustment program in the external and domestic sectors with positive results. The economic program now in place is sound in our judgement, offering the prospects for recovery and stability of the Colombian economy.

The origins of the country's recent economic problems have been largely external, and related significantly to the slowdown in the world economy and the impact of debt crises on Colombia's major Latin American trading partners. Domestic policies in the interrelated areas of exchange rate, fiscal and monetary measures also contributed to the problem in the 1980s. The Government's efforts to restore equilibrium rapidly, combined a significant stabilization of the fiscal and monetary accounts, and exchange rate adjustments. The IMF has carried out a detailed assessment of this stabilization program; the Managing Director of the IMF will be providing a statement on the subject. Of equal importance is the Government's medium-term adjustment program based on sound and efficient investments and policies for promoting the openness and competitiveness of the economy. These adjustment measures are as important as the stabilization program in assuring the country's debt servicing capacity and creditworthiness, and its ability to sustain growth, exports and employment generation.

As part of the adjustment efforts, the Government has revised its underlying public investment plans by reorienting their composition and by reducing their scope to match available resources. Emphasis is being put on faster yielding projects, on export and import-substituting investments, and on their expeditious completion, particularly in oil and coal, which will contribute significantly to improvements in the balance of payments. The Government will more efficiently use existing facilities and the public sector will substantially improve its saving performance. The adjustments to the exchange rate, the reduced demand for funds on the part of the public sector and the stabilization program to hold down wage increases, should serve to improve the investment climate for private investors in Colombia, increase the number of jobs created per peso invested and enhance the efficiency of the economy. The World Bank is satisfied that these medium-term adjustment measures are sound and will, if continued, restore Colombia's growth, improve its international competitiveness and further enhance the country's debt servicing capacity.

In support of the country's medium-term adjustment efforts, the World Bank approved this fiscal year (which ends on June 30) $707 million in new commitments--more than a 50% increase over last year. Our program included a Trade Policy and Export Diversification Loan for $300 million on May 29, 1985, which is expected to be disbursed in the next 12 months. The essence of the operation is to support a basic change in outlook--from an inward-looking, protectionist approach to an outward-looking philosophy, relying increasingly on market discipline to assure competitiveness of exporters and of import-competing industries. During the implementation of the loan, the Government plans to remove prohibitions on imports (except those comprising luxuries, arms, drugs); to reduce import categories that require prior licenses; to allow automatic entry for all imports required by exporters, including maintenance and spare parts. To reduce the dispersion of tariff protection, which discriminates between industries, peak tariffs will be reduced from 200% to 80%. Further actions will be undertaken to reduce the average tariff level to that prevailing in the mid-1970s. On the export side, the effective management of the exchange rate will be crucial. This will be supported by eliminating remaining biases against exports to assure the exporter access to required inputs at internationally-competitive prices. Export restrictions will be essentially eliminated, information and marketing support programs will be strengthened, and exporters' access to credit assured.

These medium-term measures and investments underway are expected to lead to export growth of 10% per year and an increasingly diversified export basket. As a result, the deficit in the current account should continue to decline, and a positive trade balance--supported by exports of coal and oil--should emerge in 1986-87. A steady growth in domestic oil production in recent years enabled Colombia to eliminate its oil trade deficit in 1984. Our medium-term projection based on investments currently underway, also with partial World Bank financing, foresees a net oil trade surplus of US$1.25 billion by 1987 under relatively conservative assumptions of the output from the Cano Limon field and crude prices at about 10% below the 1984 level in real terms. A surplus of that magnitude is expected to be maintained through 1990. Coal exports are projected to reach some US$500 million by 1987 and US$1 billion by 1990 with export volume levels of 10 and 16 million tons respectively, all but one million of which would come from the Northern Cerrejon field being developed with Exxon which begins limited production this year.

Based on the above, the trade balance should be positive by about US$1 billion by the end of the 1980s and the current account deficit gradually reduced to just over 1% of GDP by 1990. With a resumption of growth in reserves, a continuation of direct private investment, modest amounts of additional private sector debt, and moderate increases in outstanding public medium- and long-term debt reflecting a fairly significant reliance on multilateral sources of finance, overall debt levels during 1985-90 are expected to be maintained at manageable levels. The ratio of total outstanding public debt to exports of goods and non-factor services would decline from 1.8 in 1984 to less than 1.4 by 1990, and the public debt service ratio would remain at roughly 30% over this period.

The maintenance of an effective stabilization program is crucial to these prospects and the IMF will be writing to you on this subject. The World Bank plans to review the trade and associated economic policies on a regular basis, under the Trade Policy Loan. The first review will be held this autumn and satisfactory performance on the agreed trade issues will be a condition for the release of the second tranche. We will, of course, take account in our evaluation of the findings on the stabilization program by the IMF, which will conduct its review at the same time. In connection with the Trade Policy Loan, and subsequent sectoral adjustment loans, we will regularly assess the medium-term policy performance, particularly in the areas of trade and of the investment and borrowing programs. The conclusions of our reviews will be available to the Government and we would have no objection if it wished to share them with you.

Such reviews of the country's economic performance and creditworthiness have always preceded every one of our lending decisions. Equally important, these decisions have been based on the consistent quality of economic management in Colombia. Colombia has repeatedly demonstrated its capacity to analyze economic problems, the political will to take the necessary complex decisions, and the professional capacity to implement programs of change pragmatically and effectively.

The efforts of the present Administration are significant in addressing the country's economic problems. The World Bank's positive assessment of the Government's actions is reflected in the signing of the Trade Policy Loan and in the achievement of the highest ever lending to the country during this fiscal year. The success of these actions, nevertheless, hinges on the participation of the international banking community in the financing package required by Colombia. The additional financing needed is rather small, with limited increases in the exposure of Colombia's commercial bank creditors in the foreseeable future. Moreover, monitoring is wide-ranging, encompassing in addition to the stabilization targets, an evaluation of the public sector investment and borrowing program, policies and developments in the external sector, and an overall assessment of the economy. In view of these factors, we hope that an early support for Colombia by the commercial banks will be confirmed.

Sincerely,

Ernest Stern
Senior Vice President
Operations

cc: Messrs. Soutworth, EXC; Knox, LCNVP; Gue, LC2

TO: The International Banking Community

FROM: A. W. Clausen, President, World Bank

DATE: June 28, 1985

Over the recent past, the World Bank has intensified its discussions with the Government of Chile to devise a proper framework within which the Bank can play a positive role in the economic recovery of Chile. The present problems confronting Chile are well known and the Government has in the last several years adjusted most of the internal economic policies which contributed to the present difficulties. In 1983-84 a recovery began but Chile's high debt burden, and the continued poor prospects for copper prices, make it clear that the restoration of a healthy economy and the resumption of sustainable growth will require a far-reaching program of structural changes.

The core of this medium-term adjustment program must be an expansion of exports, diversification away from copper, a strong domestic savings effort and the maintenance of tax and pricing policies which will emphasize the efficient use of capital. It will also require continued restraint in public expenditures and careful scrutiny of any proposed public investments. The Government of Chile is committed to formulate and implement such a program. We have been in discussion with them on it, and have appraised the first stages of this program in March 1985. We plan to support it with the First Structural Adjustment Loan which we plan to submit to our Board in the fall. The estimated amount of this loan is $250 million.

An important aspect of the adjustment program is to encourage investments in trade-related activities. A major element of this effort will be to maintain exchange rates at the real levels of the mid-1970s which was a period when nonmineral exports grew rapidly. This will be supported by a reduction in import tariffs. These tariffs have already been reduced from 35 to 30 percent and they will be reduced further to 25 percent in 1986. Investments are planned to expand production capacity in copper; an action program to coordinate investments to utilize Chile's vast forest resources is being developed; the energy potential of the southern part of the country has been opened for private exploration and investment; and agricultural incentives are being adjusted to stimulate agriculture-based exports.

A second feature of the adjustment program is to raise domestic savings substantially. This requires a tight rein on the public investment program. The World Bank has reviewed the public investment program for 1985-87 and we have agreed with the Government on the elimination or substantial reduction of major projects whose financing, under current circumstances, would not be appropriate. Those investments which remain are, in our view, suitable and linked appropriately to the principal goals of the adjustment program. Better management of public enterprises will also be required to increase public savings. A World Bank loan to provide assistance in public sector management was approved earlier this year and we expect that an overall public sector surplus will be achieved in 1987.

The reforms in Chile's social security system and the income tax reform of 1984 have provided strong incentives for increased private savings but expansion of private investment will require major restructuring of many of Chile's corporations and financial institutions. To support the Government's efforts in this area, we have already submitted a loan to our Board to assist in individual corporate workouts. Chile has also begun to implement a recapitalization program for its intervened banks.

World Bank lending to Chile has increased substantially. Our total new commitments in CY 1985, including $150 million guarantee, are expected to be almost $700 million. This lending program and its continuation assume continued effective implementation of the currently-agreed stablization program with the International Monetary Fund and the adjustment program agreed with us. We plan to review progress of the structural adjustment program regularly with the Government and we expect to release the second tranche of our First Structural Adjustment Loan before mid-1986 upon evidence of continued satisfactory progress. Under these circumstances our future lending program would include further structural adjustment loans.

As you are aware, the lending program of the World Bank will be based not only on the continued satisfactory implementation by Chile of the stabilization and adjustment programs but also on the support that the international financial community can extend to Chile. During this prolonged period of economic restructuring, the proposed rescheduling and new money facility, of which $150 million has been guaranteed by the World Bank, are both necessary for the World Bank to proceed with its program in CY 1985 and in future years.

We believe that conditions are appropriate for all parties to provide financing in support of a program which is essential to restore Chile's creditworthiness and to enable it to resume growth in its economy and, in view of the policies being implemented by Chile and the overall financial program that is being developed, I look forward to an early confirmation of the continued necessary support for Chile from the commercial banks.

Sincerely,

A. W. Clausen
President
World Bank

FORM NO. 89
(2-83)

THE WORLD BANK

ROUTING SLIP	Date June 11, 1985

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Botafogo	E-823
cc: Dr. Lee	

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information	XX	Recommendation

Remarks

This relates to #677 from Edward Goldsmith. What do you advise?

Roy Southworth

Called Susan 7/23

Called again 7/26

From

IIED INTERNATIONAL INSTITUTE FOR ENVIRONMENT AND DEVELOPMENT

President: Brian W. Walker

Co-Chairmen,
Board of Directors:
Robert O. Anderson
Abdlatif Y. Al-Hamad

3 Endsleigh Street,
London WC1H 0DD
01-388 2117

Cable: Earthscan London WC1
Telex: 261681 Eascan G

731

BWW/sm

Do you know the status of this?

Mr A W Clausen
President
World Bank
1818 H Street N W
Washington D.C. 20433
USA

3 June 1985

Dear Mr Clausen,

I don't know whether you have seen the enclosed copy of the Ecologist. Our reaction to it was mixed.

First, as you will see from the attached press clipping, we were asked for our views by the press. We stated quite clearly that while not all development was perfect, the practical difficulties involved were immense. But I hope you note that IIED is again defending the Bank's efforts in this area. Nonetheless, you will understand that unless there really are moves to prevent the sort of mistakes that the Ecologist claims (with much exaggeration), we are rather putting our reputation on the line.

Of course we stand ready to help overcome the widespread misinterpretation there is about so much of the work of IBRD. We want, over the next 12 months, to conduct a positive review of what sustainable development is achieving. This review will be leading to a conference on that theme in 1987. In effect we will be seeking out, examples of positive development against three criteria: do they achieve a real economic advance for the poor and their needs; are they sensitive to the traditions and outline of the place; and are they environmentally sound? We will be preparing a dossier of such cases by development sector and region for discussion at the technical conference. We hope to obtain positive examples from four sources; the multilateral agencies (including yourselves) the bilaterals, the development NGOs and LDC governments. The whole exercise will be combined with a popular tool and a major BBC TV series.

Would the Bank be interested in backing this venture as a way of counteracting the current vogue of anti-aid? If you are, I would be delighted to lay our plans out for you in a brief proposal.

Yours sincerely

Brian W. Walker

Brian W. Walker
President

Charity No: 286587
North American Office: 1717 Massachusetts Avenue NW, Washington DC 20036
Telephone: (202) 462 0900
Latin American Office: CEUR, Corrientes 2835 Cuerpo A-7°piso, 1193 Buenos Aires
Telephone 87 2355

Open letter to Mr Clausen, President of the World Bank

Dear Mr Clausen

This double issue of *The Ecologist* has been prepared in order to expose to world leaders the role played by your bank and the other international agencies with which you work, in particular the Food and Agricultural Organisation of the United Nations (FAO), in creating the present escalation of human misery, malnutrition and famine in the Third World.

The coming population crash

It has been clear for at least ten years that a massive population crash in Africa and South Asia was inevitable. When I worked for Environment Canada in 1975, documents were already being circulated which suggested that half a billion people would starve to death before the end of the century. Professor Paul Ehrlich of Stanford University was pointing out at that time that population projections to the end of the century, established by governments and international agencies, were simply absurd. Indeed the world will never support a population of 6½ or 7 billion, let alone 30 billion which the FAO still has the gall to tell us it can support—so long of course as that iniquitous organisation is provided with sufficient funds to carry out its programme.

At the Second International Conference on the Environmental Future held in Reykjavik in 1977, 120 participants—many of whom were men of the greatest possible eminence in their respective fields—declared that *the death by starvation of a thousand million people could well be the final tragedy of this century.* (See *The Ecologist*, Vol 7 No 6)

Since then events have given ever greater credence to this dismal prospect. Today the people of more than twenty African countries are threatened with famine, hundreds of thousands if not millions have already died and the prospects for the survivors are very grim. There is even terrible starvation today in the Sudan, which country the FAO was telling us only a few years ago, had the greatest agricultural potential in Africa and could be turned into the breadbasket of the Arab world.

Why is this happening? You and your colleagues tell us that people are hungry because they are poor—from which it must follow that the cure for famine must be to make them rich, hence the need for economic development.

In other words you interpret the incidence of hunger in such a way as to rationalise the solutions you wish to apply—those which the World Bank has been set up to finance and which most favour various short-term political and economic interests.

Your faith in economic development

Your quasi-religious commitment to economic development is clearly reflected in your Fairfield Osborn Memorial Lecture (1982). In it, you not only insist that development is essential to combat poverty and malnutrition but you actually pretend that it also provides the only means of protecting our natural environment. Thus you tell us that "a better environment more often than not depends on continued economic growth", and that if we are to have a sustainable world then it must "include economic growth". You even go further and tell us that "all development can enhance the conditions in which we live", and further on in your talk that "all economic development should, on balance, improve people's environment . . ."

These are shocking statements to make. Do you really believe that the vast areas devastated by opencast mining have been improved by these ventures? Do you really believe that the 100 million or so hectares of water logged and salinised land created by perennial irrigation schemes, many of which were financed by the World Bank, have enhanced the conditions in which the local people live? Do you really believe that the vast development schemes that have forced tens of millions of villagers and tribesmen from their homes to eke out a miserable existence in the ever growing and ever more squalid slums of the large Third World conurbations have actually "enhanced the conditions in which those people live?" If you do, then you can believe anything.

Worse still you are guilty of a most callous confidence trick in pretending to the inhabitants of the Third World that the economic development you finance can really enable them to achieve the material prosperity that we know, temporarily at least, in the West today.

You know yourself that in order to develop, Third World countries have eventually to achieve an economic surplus—for they cannot go on borrowing from you indefinitely. But how are they to do this? In most cases their present foreign earnings are insufficient to pay even their oil bills let alone the interest on the loans they have already contracted—in some cases by a very wide margin. If you continue to lend them more money, such interest payments must still further increase.

What is more, their foreign earnings are, in nearly every case, almost entirely derived from the land, and this land, under the impact of the intensive methods of production required to make its produce economic on the world market, is being rapidly degraded. Under such conditions, those foreign earnings can only fall from year to year until they are eventually non-existent.

Basil Rossi, who manages large agricultural estates in the Philippines, recently sent me a letter which I circulated among the banking community of

the UK. In it, he pointed out, that bankers were lending sugar-cane plantations large sums of money for which their land, valued at several thousand dollars an acre, served as security. But once this land has been used for intensive sugar-cane production every year for a decade or so, it must become so degraded as to be worth little more than the land which borders the Sahara desert.

Under such conditions, how can Third World countries, whose costs can only go up and whose earnings can only fall, conceivably develop? You know, and everybody in the development business knows too (though he may not admit it) *that it is impossible*, and that the Third World is being made to destroy its environment and sacrifice its cultural patterns and social structures for nothing.

In any case, what reason have you for supposing that development can make the poor rich and enable them to eat? Has development eliminated poverty and malnutrition in America, the most highly developed country in the world? The answer is most surely no. The inhabitants of the black ghettos of America are very poor indeed if this term is to be used in a sensible manner. Among these people, the family and community have largely disintegrated, households are run by single women who have no men to help them. Crime, delinquency, alcoholism, drug addiction are rife and there is a general distrust, if not hatred, for any form of authority. This is what Oscar Lewis calls the 'Culture of Poverty'. What is more, it can co-exist with great material affluence. Its victims may possess colour television sets, video-tape recorders and expensive automobiles.

Karl Marx was wrong when he said that religion was the opium of the people. It is materialism that is the opium of the people for when the alienated play with these toys they are temporarily transported into a surrogate world and forget the real one which we have made so intolerable to them. But this surrogate world cannot satisfy their basic spiritual, aesthetic and social needs. Indeed, as Ivan Illich puts it, "development has not eliminated poverty it has modernised it."

Nor has uncontrolled development in the USA eliminated malnutrition. Perhaps as many as twenty million people in America suffer in one way or another from a lack of nutritious food. It is not that food is unavailable, only that they have become too psychologically disturbed and too socially alienated to spend their money on the food they need rather than on junk food, worthless consumer goods, alcohol and drugs. Development has in fact not eliminated malnutrition either. It has also modernised it.

Are primitive people really poor?

If you wish to find a society where there is no poverty or malnutrition, you should not look towards the industrialised world. There are a few so called primitive peoples left today. Some live in what remains of that area of Amazonia where you plan to set up the Polonoroeste project, others in the Bastar area of Madhya Pradesh whose destruction you also plan to finance. Their societies and their environments are still intact and, as a result, their members do not suffer from the social alienation or the malnutrition so prevalent in the slums of the USA. In fact, they possess what one should regard as the most valuable possible forms of wealth: *social and ecological capital* which provide them with great security and all sorts of other important physical and psychological satisfactions. Once the members of such societies are dispersed, however, by some vast development scheme and are forced to seek refuge in the slums of some large conurbation, they are deprived of these sources of wealth which economic development can never replace.

There is no reason to suppose that Third World people actually have anything to gain by economic development. Indeed, contrary to what we are made to believe, while their societies and environment are still intact, they are not short of the technology required to grow ample food. Over the years, we have described in the pages of *The Ecologist* the traditional agricultural practices of 'primitive' people and shown just how well they satisfy nutritional, social and ecological requirements.

In our book *The Social and Environmental Effects of Large Dams* we devote a whole section to traditional methods of irrigation which we show to be the only ones that are sustainable and do not cause the terrible social and environmental problems associated with modern methods. Even, at the UNEP Conference on Desertification, it was concluded that the only method of preventing further degradation of the marginal lands of Sahelia was to return to some form of nomadic pastoralism similar to that which has been practised there for thousands of years.

Nor do primitive peoples suffer from malnutrition, let alone starvation, which as William Dando in his excellent book *The Geography of Famine* points out, is a largely-man-made phenomenon, whose incidence and severity have increased with the development of the market system.

Significantly, John Madeley, in his article on page 36 suggests that villagers in Tanzania may well be better fed when the formal economy is depressed than when it is flourishing.

What is particularly important is that these people create none of the problems which today are threatening the very survival of our species on this planet. They do not cut down their trees, desertify their soil nor contaminate the air they breathe and the water they drink. They do not, as we are doing, change the very chemical composition of the atmosphere nor threaten to destabilise world climate. Nor, for that matter, do they build atom bombs. Yet, as irony would have it, you are intent in financing the annihilation of their way of life—even more ironically, so as to rescue them from their 'poverty'.

Selling their food

Perhaps the most obvious reason why development cannot provide a cure for malnutrition and famine is that the Third World must earn vast amounts of foreign exchange in order to finance it, and to earn this they must first of all sell off their forests. This is how the Indonesian 'economic miracle' was financed. This is largely, too, how Malaysia financed its economic development and how Papua New Guinea now proposes to finance its development. We shall see later on what are the consequences of destroying forests in the Third World. What we must note here, is, that once their forests have gone, Third World governments must

then turn to plantation crops and cattle-ranching as a source of foreign exchange. Indeed, in many countries of the Third World well over fifty per cent of the good agricultural land is used in this way to produce cash crops for export, and as these countries run ever shorter of foreign exchange, largely as a result of the high cost of their oil imports and ever growing interest payments, more and more land is being diverted from producing food for their already undernourished population—to producing food for export.

The Chilean economist Manfred A Max-Neef points this out very eloquently. "The developed countries" he writes "force the Third World to pay back their debts. The only way they can do that is producing cash crops. Cash cropping prevents subsistence farming, the alternative to paying unpayable debts is committing suicide. "What" he goes on to ask "is more important, our banking system or the human beings . . .?" This is indeed the crux of the matter.

You will see in Marcus Linear's article on page 27 how the FAO plans to annihilate the tsetse fly in a partly forested area of seven m sq km in Central Africa so as to turn it into rangelands for producing beef for export to the USA. Perhaps the EDF may be persuaded to turn down the FAOs request to finance this project, though a decision is still to be made.

In Bharat Dogra's article on page 42 you will see that, though no more than fifteen per cent of the children born each year in India are adequately fed, the Indian government is doing everything it can to encourage more and more food exports. Can you really believe that such a policy is in the best interests of the people of that country? Can you really believe that it is even remotely conceivable to feed the hundreds of millions of starving people in the world by forcing them to sell an ever greater proportion of their food?

What is particularly depressing is that your agricultural policies continue to be influenced by the FAO which has been, for many years, under the complete domination of the agro-chemical industry, whose representatives, the GIFAP, until recently occupied spacious offices at the FAO headquarters in Rome and were instrumental in organising the 1974 World Food Conference.

FAO's policies only make sense at all when seen in their true light as providing a means of maximising the sales of agro-chemicals and the availability of cheap food imports, in particular beef, to the food-processing industries of the West. By financing FAO-inspired projects, this is what you are helping to achieve at the cost of creating the poverty and the famine we are only beginning to witness today.

Destroying the Third World environment

There is another way in which your policies are giving rise to this poverty and famine, it is by causing the most terrible environmental degradation. We are generally made to believe that environmental degradation is the concern of the rich, the poor, we are told being only interested in the material benefits and the jobs provided by the enterprises that give rise to it. This is, of course, sheer nonsense. The truth is that environmental degradation is the main cause of poverty and famine in the world today.

Indeed the tragedy we are witnessing in Africa today, rather than being the result of an inevitable and unpredictable drought, in other words an Act of God is, as Anders Wijkman and Lloyd Timberlake demonstrate on pages 9 and 18 but the result of environmental degradation most of which has occurred since the war and much of which (though they do not say so) has been financed by development banks such as yours.

In many areas where the drought is said to have occurred *there has not even been a reduction in rainfall.* It is the water-retaining capacity of the soil that has been reduced and this has been caused by its over-exploitation for intensive agriculture and by deforestation. At the same time, where there has really been a reduction in rainfall this has had a far more severe effect than such an event would have given rise to in the past, again because of environmental degradation, and because much of the land once used by nomadic pastoralists, to feed their cattle, has been taken away from them for the production of cash crops, in Sahelia, for instance, for the intensive cultivation of peanuts for export to France. (See *The Ecologist* Vol 11 No 4)

The consequences of deforestation

Deforestation in the Third World is another reason for this devastation, and you do not seem to realise its full implications. Traditional forest-dwelling peoples who once made up the bulk of humanity, are totally dependent on the forests for the maintenance of their cultural pattern and indeed for their physical survival. This means that the removal of their forests condemns them to terrible biological and cultural impoverishment. This should be made clear to you by Bharat Dogra's article on page 44, as well as by the small excerpt we have published on page 49 from Anil Agarwal's recent seminal article 'Beyond Pretty Trees and Tigers.

Another reason why you may not understand the terrible effects of deforestation in the tropics is that, in the temperate areas in which we live, deforestation can occur with relative impunity. In the tropics, however, conditions are totally different, a fact that cannot be over-emphasised.

Indeed, in such areas, deforestation inevitably leads to the transformation of rivers into torrents, the drying up of streams and springs and the erosion and desertification of the soil which becomes deprived of all protection against the winds and the heavy monsoon rains. What is more, whereas in temperate areas, forests, even when clear cut, can often recover (though perhaps in a slightly degraded form), in the tropics, once they are removed, they are—at least on a historical time-scale—gone for good.

The US Department of State, as you undoubtedly know, has at last understood this, and indeed the USAID leadership has now undertaken not to finance any projects which lead to the destruction of tropical forests.

In your Fairfield Osborn Memorial Lecture, you tell us that "as a matter of policy, we won't finance a project that seriously compromises public health or safety; that causes severe or irreversible environmental deterioration".

Unfortunately, this is not true. The Polonoroeste Project, the Bastar Project, worse still in India the vast Narmada Project, which we shall describe in

detail in volume 2 of our study *The Social and Environmental Effects of Large Dams*, do all these things and worse, yet *you still insist on financing* them.

You may indeed impose conditions on national governments as part of the loan agreements you make them sign, but these are invariably insufficient and, as you know only too well, are rarely implemented and rarely will be.

Besides, if you really observed this policy, it would not have been necessary for Robert O Blake, Chairman of The Tropical Forestry Working Group, Washington D.C., to have written you the letter we publish on page 78 asking you so earnestly to desist from financing projects that can only lead to the destruction of the world's remaining rainforests.

There is another reason of course why you do not understand the importance of forests in the tropics. It is that your organisation, as I learnt to my horror some years ago when I spent an afternoon in Washington with your Director of Forestry, Mr Spears, refuses to distinguish between a forest and a man-made plantation of quick growing exotics. A plantation may alone be able to yield the financial return that enables its owners to pay back the money they have borrowed from you for setting it up, but as you will understand when you read Bharat Dogra's article on page 44, it can provide almost none of those subtle benefits which a natural forest provides its traditional inhabitants and on which they are so *totally dependent for their survival.*

A natural forest, as Sunderlal Bahuguna, the great Chipko leader of the Himalayas always says, provides "soil, water and pure air"—the very source of life—a plantation provides but "timber, resin and foreign exchange"—a source of commercial wealth to but a tiny minority.

Deforestation and climatic change

Furthermore, deforestation must ultimately lead to climatic change. It has already done so in many areas on a local level. But there is now every chance that further deforestation could lead to a global and irreversible climatic catastrophe. Already at the 1977 conference at Reyjkavik, four of the world's leading climatologists (Kenneth Hare of Canada, Hermann Flohn of West Germany, Tom Malone and Reid Bryson of the USA) declared that, if we continued burning fossil fuels and cutting down forests at the present rate, *a global climatic catastrophe was inevitable*, a view which is now shared by most serious climatologists.

Since then, much has been learned of the global mechanisms which have evolved over the last 3,000 million years to assure world climatic stability, and in the absence of which, life on this planet would become extremely difficult. It has in particular become reasonably clear that if we tamper sufficiently with the structure and functioning of the biosphere, above all by destroying any more of the forests which once practically covered this planet and replacing them with endless stretches of monoculture and cement, a point must eventually be reached when these mechanisms can no longer function.

The well known atmospheric chemist, Dr Jim Lovelock, who has possibly looked at this question more closely than anyone else, describes on page 52 just why this must be so, and how the destruction of the Amazonian rainforest which you are helping to finance, could trigger off a climate 'flip'.

Let us not forget that the heavy rainfall in Amazonia over an area of something like seven million square kilometres is largely derived from evapo-transpiration from the Amazonian forests themselves. This means that a massive volume of water is continuously moving upwards and downwards over an enormous area. This, it seems, provides a very effective global cooling system, and to destroy it is to court disaster. Indeed a tentative model recently published in *Science* suggests that the mean temperature of the tropics, could, as a result, shift to something like 50° centigrade which would be sufficient to render a considerable part of our planet uninhabitable.

Who destroys the environment?

Needless to say, you pretend that it is the poor who destroy their environment. In your Fairfield Osborn Memorial Lecture you tell us that "poverty puts . . . severe—and often irreversible—strains on the natural environment." You also tell us that "at survival levels people are sometimes compelled to exploit their environment too intensively", and that "poverty has often resulted in long years of mismanagement of our natural resources, evidencing itself in over-grazing, erosion, denuded forests, and surface water pollution." You know that this is very misleading.

Of course the peasants have a greater impact on their forests today than they did thirty years ago. This is partly because their numbers have increased, but very much more because the vast bulk of their forests have been cut down by logging companies, which means that their activities which were quite tolerable when their forests were intact, have now become very destructive.

The same is true of the impact of peasant agriculture and of pastoralism. If the Masai, for instance, are over-grazing their land, it is that their cattle are confined to a quarter of the area that was once available to them, the rest having been confiscated the the former colonial government to satisfy commercial requirements. As already mentioned the same is true of the impact of pastoralists on the marginal lands of Sahelia (see *The Ecologist* Vol II No 4).

Indeed, rather than destroy their environment, the villagers and tribesmen of India, for instance, are the only people in their country who are seriously engaged in protecting what remains of their forest. In Bihar, hundreds of Santal tribesmen have been killed in clashes with the army, when they tried to protect their sal forests from being transformed into eucalyptus plantations.

In the Himalayas the Chipko movement has been organised by the peasants themselves under the leadership of Sunderlal Bahuguna and Chandi Prasad Bhatt and is spreading throughout the area. The village women, when they see the commercial loggers approach, stream out of their villages to hug the trees, which they thereby protect with their own bodies from the depradations of government contractors (see *The Ecologist* Vol 13 No 5)

Environmental degradation in the Third World is thus but the inevitable consequence of present development policies, and Third World people are

poor, not as you would like to think, because they are 'underdeveloped' but because they have been impoverished by previous development, because, they have been robbed by developers of their means of sustenance, and are now condemned to scratching an ever more marginal existence from land that resembles ever more closely the surface of the moon.

They are poor, in fact, Mr Clausen, because you and your colleagues have made them poor, and, at the rate you are going, the poor and the starving will, in but a matter of decades, make up the bulk of humanity on this planet.

The irresponsiblity of FAO

Consider what would in fact happen if you were to finance in its entirety, the plan for feeding the world described in the October 1971 issue of the FAO journal *Ceres*. "First", this journal tells us, "we would open up for intensive arable farming some seven million square kilometres in the Amazon basin and a smaller area in equatorial Africa. Second, we would make it possible to turn the warm deserts of the world into a sea of waving green, with some twelve million square kilometres in the Sahara alone, an area almost equal to the total cultivated land in the world at present. An unlimited supply of fresh water would also make it possible to provide perennial irrigation to the existing cultivated lands, to the vast areas under permanent pasture, and to the lands now under tropical forest."

This sounds like the LSD-inspired dream of some technology-obsessed adolescent. No serious person could really believe that it is a serious statement from a United Nations agency which received some 500 million dollars a year for research on strategies for feeding the hungry millions.

The sheer folly of such a plan should be evident to all. The great bulk of the seven million sq km of the Amazonian basin is, of course, unuseable for agriculture, the soil being largely lateritic and yielding two or three harvests at most before becoming desertified (see Jose Lutzenberger's article on pages 69 to 72). To clear it of its forests, as pointed out by Jim Lovelock, (see pages 52 to 55) might well trigger off a climatic catastrophe that could make agriculture impossible over a vast part of our planet.

Significantly, fourteen years after this plan was published, the twelve million sq km of the Sahara Desert, rather than being transformed into "a sea of waving green" is on the contrary rapidly expanding and threatening to engulf a major part of Africa, and this inspite of, or perhaps more realistically, because of, the money spent on FAO-inspired development schemes in this area.

Even the United Nations Environment Programme (UNEP) admitted at its 1977 Conference on Desertification that at least a third of the world's remaining agricultural land was, at current trends, being turned into a desert.

As for the unlimited supply of fresh water, this is also but a dream. Water shortages are likely to be one of the most serious problems facing the world in the next decades and they are caused precisely by those strategies which you and the FAO recommend for solving the world food problem: economic development which necessarily involves deforestation and intensive export-oriented agriculture.

As for the perennial irrigation which is supposed to provide this water (see our book *The Social and Environmental Effects of Large Dams* and *The Ecologist* issue Vol 14 Nos 5/6), this can only result in large-scale water-logging and salinisation and hence in the creation of wet and salt encrusted deserts. Indeed even the FAO admits that more than fifty per cent of the land under perennial irrigation today is already suffering, in varying degrees, from these associated and eventually fatal evils, though none of these considerations have led Mr Saouma to modify his lunatic policies, as is clear from his insistence on turning Central Africa into a seven million sq km cattle-ranch (see Marcus Linear's article page 27).

Finally, when you finance these massive projects, you are more often than not allying yourself with criminal elements in Third World governments, in their bureaucracies and in the business community, both here and over there.

When doing the research for our book on *The Social and Environmental Effects of Large Dams* we found that an enormous proportion of the money you provide for large development schemes is simply syphoned off by crooked politicians. With regard to the Mahaweli scheme in Sri Lanka, for instance, we were assured, though of course no one can prove it, that at least thirty per cent of the funds provided by aid agencies for its construction, were diverted in this way. It is well known that the same is true of the funds provided for putting up the large Brazilian Dams that are being built today.

In many countries—Indonesia for instance—it is also generally conceded that each minister has his own private forest concession. In India, B B Vohra, one of the most respected authorities on forestry and agriculture in the country, and for many years a top civil servent, admits himself (see "How India's forests have been cut down" page 50) that the forests of that country have been cut down by what he refers to as "formidable mafias based on a triangular alliance between the corrupt bureaucrat, the corrupt politician and the corrupt businessman."

Do you realise that by financing such enterprises you are in effect becoming a member of this alliance? You are financing "institutionalised crime" on an unparallelled scale, what is more, crime that will not simply lead to a diversion of funds from a few rich individuals but to a diversion of essential resources from the rural masses you are supposed to be serving and without which they are condemned to irreversible impoverishment and starvation.

It may be a shock to you, Mr Clausen, to be brought down to earth in so rude a manner, but I strongly suggest you do not ignore this letter. You cannot be allowed to continue financing the destruction of the tropical world, the devastation of its remaining forests, the extermination of its wildlife nor the impoverishment and starvation of its human inhabitants.

Yours sincerely

Edward Goldsmith
Publisher of The Ecologist

WALTER SCHWARZ reports on Teddy Goldsmith's latest damnation of development as the Third World's panacea

A rude awakening from the scourge of the dambuilders

ECONOMIC development could easily kill a billion more people through starvation in the next 15 years, Teddy Goldsmith writes in the new issue of his magazine The Ecologist. He blames the World Bank, the UN Food and Agricultural Organisation, and national aid bodies like our own Overseas Development Administration.

Goldsmith tells Tom Clausen, the World Bank president, in an open letter, that development is a mammoth "confidence trick" in which the Third World pays for illusory progress by exporting more and more of its food and destroying more and more of its natural ability to grow it.

Clausen is bluntly told "to stop financing the destruction of the tropical world, the devastation of its remaining forests, the extermination of its wildlife, and the impoverishment and starvation of its human inhabitants."

This is followed by 13 specialist articles ranging over the whole field of devastation, beginning with Africa's current "pseudo-droughts" — famines not really caused by rain failure (which has occurred normally for centuries without causing famines) but by the ruination of land, over-grazed and over-cultivated by refugees from "development" elsewhere.

Never before has the environmental case against massive development projects been put so rudely. Goldsmith likens an old FAO idea for feeding the world by opening up equatorial Africa and the Amazon basin for agriculture to "the LSD-inspired dream of some technology-obsessed adolescent."

Goldsmith claims the FAO "has been for several years under the complete domination of the agro-chemical industry." Its policies make sense when seen as "maximising the sales of agro-chemicals and the availability of cheap food exports, especially beef, to the food-processing industries of the West."

For Clausen he adds: "By financing their projects, this is what you are helping to achieve, at the cost of creating the poverty and famine we are only beginning to witness today."

Rudeness, meant to shock, is no surprise to those who have known Teddy for years as the chief scourge of dambuilders, insect-sprayers and forest-fellers. His critics call him a Malthusian, a nihilist—heartless, right-wing and authoritarian because he does not stop at attacking excesses: he attacks development itself.

He is brother of the grocer-publisher, James Goldsmith. He sounds as passionately angry as he writes, while managing at the same time to live a well-developed life between his Cornish home and his Curzon Street club.

I once suggested to him that practical ecology might start in cities, where most people live and are doomed to remain. He replied: "Cities? They're doomed. they will die: they have to die."

While his critics call him a pessimist, his admirers, including many in the development field who dare not confess, point out that so much passion, energy and erudition must conceal faith in something.

From pseudo-droughts, the anti-Clausen diatribe goes on to his central target: dams. The bigger they are, the more people they kill, as he attempts to show in a worldwide, two-volume study with Nicholas Hildyard. Dams displace millions from traditional lands on which they know how to survive, rain or no rain.

The next target is the felling of vast areas of forest to build dams and/or create "agriculture" on unsuitable land. This has reched the ultimate horror in the $1.6 billion Polonoroeste project in north-west Brazil, where an unknown number of Indians in 15 reserves is being displaced and an area the size of the UK is to be deforested by 1990. Already many of the new settlers are leaving because the land is, after all, barren.

Tropical forests cool the whole earth by retaining and evaporating water. One of Goldsmith's authors, the atmospheric chemist James Lovelock, famous as the champion of the Gaia hypothesis, argues that forest decimation can cause a catastrophic climatic "flip" — raising temperatures sufficiently to make large areas uninhabitable.

Pesticides are the next villain, like the "hard" chemicals (banned in the West) still raining down on seven million square kilometeres of central Africa, under FAO auspices, to "eradicate" the tse-tse fly so that beef can be produced for the American hamburger industry. The Ecologist's finding, amply substantiated elsewhere, is that this project kills off every sector of the natural habitat, including poisoned human beings, but not the tse-tse fly which has become resistant.

If development has enriched the northern hemisphere why should southerners not be allowed to catch up? Goldsmith argues they never can, because their costs can only go up and earnings can only fall. Besides, as Ivan Illich and Oscar Lewis said before Teddy, development in the north has only modernised poverty, as black ghettos and the condition of inner cities bear witness.

First reactions to Goldsmith range from embarrassed admiration to defensive anger. "I'm in the reforming camp, not the nihilistic," said Richard Sandbrook of the International Institute for Environment and Development in London. Does Teddy really want Malthusian ecology to operate?"

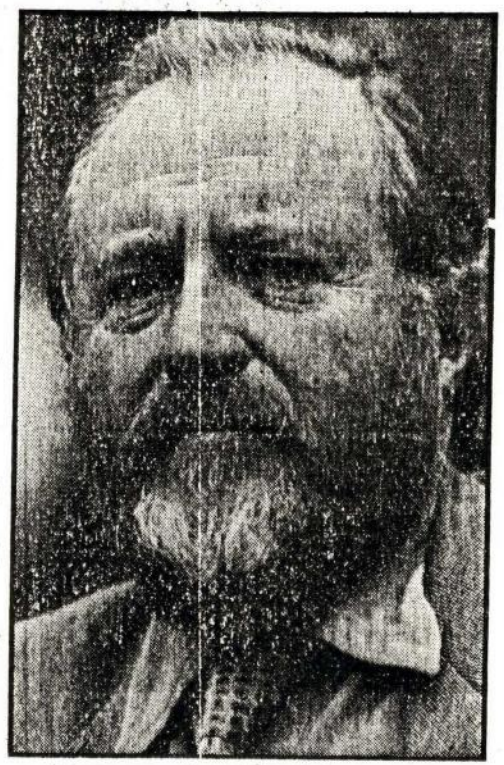
He agrees that much current development needs a radical rethink, but points out that even as it is, it has fed many otherwise hungry people. Besides, the World Bank and Third World governments have both become more environment-conscious—thanks to people like Teddy.

In Washington, the head of the World Bank's 10-man environment group, Robert Goodland, wanted Teddy to concede that "by and large," human longevity and literacy had been increased, child mortality was lower, there was more fresh water and the per-capita GNP had gone up — except in sub-Saharan Africa. Goldsmith concedes nothing of the sort.

With apparent sympathy for Goldsmith's view of the FAO, Goodland said "we cannot expect to see eye-to-eye on all aspects of development."

At ODA, officials saw no reason for self-reproach. "No programme here can pass muster unless the environment issues have been well and properly covered. We have a databank on it."

What does Teddy advocate? He has often extolled the virtues of primitive tribes — and been branded as a romantic reactionary. He now says: "Look after the land, here in Europe and America as well as in the Third World. I'm not for ignoring the Third World: we can help by seeing that their problem and ours is the same. Not dams, not poisons, but replanting trees, protecting soil from erosion, drainage. Unfortunately, things like that don't make money for people."



Teddy Goldsmith: "look after the land."
Picture by Martin Argles

June 28, 1985

Dear John:

Thank you for your letter of June 11 concerning our discussions with your Executive Board on April 12. I, too, thought our meeting was constructive and most helpful for all concerned.

Your ideas for broadening and deepening the relationship between the Bank and the ICFTU are most welcome. In this regard, I have asked Bill Stanton, our Senior Adviser in External Relations, to follow up with you on your suggestions for exchanging information and improving contacts. Bill coordinated last April's meeting.

Once again, I want to thank you for your contribution to the success of our meeting and I look forward to a closer working relationship in the future.

Warm regards.

Sincerely,

A. W. Clausen

Mr. John Vanderveken
General Secretary
International Confederation of
Free Trade Unions
rue Montagne aux Herbes Potageres 37-41
1000 Bruxelles, Belgium

bcc: Mr. J. Botafogo
Mr. B. Stanton

JWS:sbp

(Log #820)

ICFTU international confederation of free trade unions
CISL confédération internationale des syndicats libres
IBFG internationaler bund freier gewerkschaften
CIOSL confederación internacional de organizaciones sindicales libres

RUE MONTAGNE AUX HERBES POTAGÈRES 37-41 - 1000 BRUXELLES, BELGIQUE
☎ 02 217 80 85 - TELEGR.: INTERCONFED BRUXELLES - TELEX: 26785 ICFTU BRU

P.P. NARAYANAN
President - Président
Präsident - Presidente

JOHN VANDERVEKEN
General Secretary - Secrétaire général
Generalsekretär - Secretario General

820

ESP/SP/ls

11 June 1985

Mr. A.W. Clausen
President
THE WORLD BANK
1818 H Street, N.W.
WASHINGTON, D.C. 20433

Dear Mr. Clausen,

Relations between the ICFTU and the World Bank

After our meeting on April 9, the ICFTU delegation reported on our discussions to the full Executive Board on April 12. The Board welcomed the meeting with yourself, Mr. de Larosière and Mr. Blanchard, and instructed me to intensify contacts with the World Bank and the IMF at international and regional levels. I recall that at the close of our meetings you also mentioned that you would wish to improve contacts with the ICFTU and would give consideration as to how this might best be progressed.

I would therefore like to suggest a few ideas to you for a broadening and deepening of the opportunities for exchange of information and views between the Bank and the ICFTU. Attached to this letter you will find a short note outlining a number of possible methods for improved contacts. Perhaps you could give me your reaction to this note together with any suggestions you may have.

My colleagues and I very much appreciated the open and frank discussions with you in Washington. As I am sure you appreciate, the international economic problems with which the Bank are wrestling are of great concern to our affiliates in both developing and industrial countries. In this respect, we attach high priority to the forthcoming high-level ILO tripartite meeting, to which Mr. Blanchard referred during our discussion. I hope it will provide a further opportunity to examine the relationship between adjustment, development, employment and social policies.

I look forward to receiving your reply.

Yours sincerely,

General Secretary

Relations between the ICFTU and the World Bank

It was generally agreed amongst all participants at the April 9 meeting that the exchange of views had been useful and that contacts should be improved between the ICFTU and the international financial agencies. Such contacts could take a number of different forms. The following is a list of proposals which could form an informal and flexible draft programme for one or two years ahead.

1. Further similar high-level meetings

It would be useful to repeat the Washington meeting at some point in the not too distant future, perhaps with a more specific agreed agenda. It will, however, always be difficult to arrange suitable dates and venues given the heavy commitments of all participants. When mutually convenient the President and the General Secretary could meet more frequently than the larger group. Meetings could be held jointly with the IMF and the ILO or bilaterally.

2. The high-level tripartite ILO meeting on employment and adjustment

The ICFTU participants and the President of the World Bank should work for the success of the forthcoming ILO meeting both by ensuring the high-level participation of their own organisations and by encouraging governments, employer organisations and other international organisations to be similarly represented.

3. Regional-level meetings

In order to increase the range of contacts between trade unions and Bank staff, one or two day meetings could be arranged between small groups of trade union leaders (approximately 10) from a region and the Bank staff dealing with the areas concerned. Such meetings, which could be organised jointly with the IMF and/or the regional development banks and/or the ILO, should have an agreed agenda and documentation. For example, it might be appropriate to examine African economic development early in 1986 looking at performance since the ICFTU Conference of March 1984 and prospects for the future. A similar format could also be used for meetings on Latin America or Asia.

4. Continued office-level contact

Office-level contacts with the World Bank in Paris and Washington are already good, but could be further developed. Although a formal arrangement, such as that between the Trade Union Advisory Committee (TUAC) and the OECD is not possible for the ICFTU and the Bank at this point of time, both organisations could examine the functioning of the TUAC as a possible model for improved working contacts. For example, the Bank could find it useful to inform trade unions and receive their views on some of its studies of topical issues through one or two day seminar style meetings. The ICFTU, perhaps together with the ILO, would be pleased to provide assistance to country representatives of the World Bank seeking improved contacts with national trade union organisations.

* * * * * *

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: April 5, 1985

TO: Mr. A.W. Clausen

FROM: J. William Stanton

EXT: 72173

SUBJECT: Meetings with Trade Union Leaders

1. On Tuesday, April 9, you are scheduled to have lunch with world trade union leaders and at 3:00 p.m. you have an appointment in your office with many of the same officials.

2. The staff agrees that this is a very high level group which comprises union leaders from our major shareholders. The members of the group consider the improvement of communications with international financial institutions to be an important goal of their organizations. Their meetings on Tuesday are in conjunction with the Executive Board meeting of the ICFTU (International Confederation of Free Trade Unions) on April 11-12 in Washington. Their official host is Lane Kirkland, President of the AFL-CIO.

3. Attached is a list of the expected guests for the luncheon, their titles, and a description of their organizations. Most of them are expected to be at the 3:00 p.m. meeting in your office.

4. Lunch will take place at the Hay Adams Hotel, Suite 706, on the Seventh Floor, at approximately 1:00 p.m. The invitation came from Francis Blanchard, Director General of the ILO (International Labor Organization, Geneva). You have warned him that there is a Board Meeting that day so you could be a few minutes late, and they have agreed to wait until you arrive.

5. It is worth noting that the original request called for the group to meet with de Larosiere at 10:00 a.m., and with you at 3:00 p.m., with lunch at 1:00 p.m. This was changed so that only Lane Kirkland and John Vanderveken will make a courtesy call on de Larosiere between noon and 12:15 p.m.

Lunch with Union Leaders, April 9

6. When the invitation to this lunch was first extended by Mr. Blanchard, it was planned as a social gathering because the leaders expected to have a business meeting with the IMF Managing Director in the morning, and with you at 3:00 p.m.

7. The Managing Director, however, said he could not give them that much time and the morning meeting was canceled, except for a courtesy call at the Fund between noon and 12:15 by Mr. Vanderveken and Mr. Kirkland.

8. After this happened, the leaders changed the format for lunch to make it a working lunch as far as the Managing Director is concerned. They realize that they will be meeting you at 3:00 p.m. and have mentioned to the Paris office that they are uneasy with this arrangement as far as you are concerned. I feel that while you are there you will be drawn into the general discussions, despite what they say, and may want to return to the office when they start their questions to the Managing Director.

9. As an alternative, you might be prepared for the fact that some of the questions at the 3:00 p.m. meeting might come up at the luncheon.

Afternoon Meeting in your Office (3:00 p.m.)

10. All correspondence for this meeting was with Mr. John Vanderveken, General Secretary of the ICFTU. While the main objective of the meeting is to discuss the current world economic outlook and its impact on working people, a subsidiary objective is to explore means of improving communication, at various levels, between trade unions and the international financial institutions.

11. In his correspondence, Mr. Vanderveken stressed that he would like to discuss a follow-up to the Cuernavaca Conference in August which discussed: "New Approaches to the Economic Crisis in Latin America and the Caribbean - ICFTU-ORIT Conference." Because of this, David Knox and Guy Pfeffermann will attend the meeting. A copy of the conclusions of the conference are attached. ~~along with a summary and analysis of that document, which was prepared by Guy Pfeffermann for David Knox~~. (Attachment 2)

12. The union leaders hope they can expand the 3:00 p.m. meeting to discuss African as well as South American affairs. John Vanderveken wants to draw your attention to a statement on the African food crisis which was adopted by the Executive Board (attached). He stressed that their affiliates in the main industrial countries would be urging their governments to "step up relief aid and long-term assistance to the continent." They should be complimented for the fact that, prior to the January Paris meetings, they urged their members in donor countries to contact their governments, pressing for support for the Africa facility. Philip Birnbaum of the Special Office for African Affairs will also attend the meeting to participate in this discussion.

Attach. 3

13. The Paris office has informed us that the union leaders plan to ask questions along the lines of Tim Cullen's memo (see Attachment No. 4). All Bank participants have been furnished with this memo and will be prepared to respond if you ask them.

Attachments
JWS/jv

Trade unions development
focus on developing

GROWTH

Existing standard of living
factors poverty
focus on job creation
employment income

Long term

IFC - private sector

Economic reforms

POPULATION & GROWTH

SOCIAL UNREST.

Tenuta support

Meeting this afternoon

4-9-85

LABOR UNION LUNCH MEETING

April 9, 1985

(Hay-Adams Hotel, Suite 706)

Host: **Francis Blanchard,** Director General (ILO) Geneva

nare ah yah' nan
Dr. P.P. Narayanan (Malaysia) President, ICFTU

John Vanderveken (Belgium) General Secretary

bare je ronh
Andre Bergeron (France) Secretary-General, Force Durriere

Lane Kirkland (USA) President, AFL-CIO

Irving Brown (USA) International Affairs Director, AFL-CIO

Norman Willis (U.K.) General Secretary, TUC

h moore
Gerd Mukr (FRG) Vice President, DGB

J. Gray (Liberia) General Secretary's Office, ICFTU

Steven Pursey (U.K.) Snr. Staff Economist, ICFTU
(attended Bank seminar in London in February)

free zo
Enzo Friso (Italy) Assistant General Secretary, ICFTU

de vreez rye link
Oscar de Vries Reilingh (Netherlands) Director, ICFTU Geneva Office

International Confederation of Free Trade Unions (ICFTU)

The ICFTU is a confederation of 141 national organizations from 98 countries, with a membership of some 82 million. It is open to all trade unions which claim independence from outside dominating influences. According to its constitution, its goals are:

- to promote the interest of working peoples;
- to work towards full employment, and raise living standards;
- to reduce the gap between the rich and poor, both within and between nations;
- to defend everywhere fundamental human rights and trade union rights.

Confédération Générale Du Travail/Force Ouvrière

The CGT/FO is the second most important French confederation of trade unions. Its membership is about 950,000 and it was established in 1946 when the main confederation (CGT) began to have a close connection with the communist party.

Trade Union's Congress

The TUC, founded in 1968, is a voluntary association of more than 105 trade unions in Great Britain. The cumulative membership of unions affiliated to the TUC exceeds 10,500,000.

Deutscher Gewerkschaftsbund

The DGB is the most powerful trade union in Germany. Its membership totals some 8 million. The DGB, apart from its key negotiating role on labor and social issues, controls important cooperatives as well as the Bank für Gemeinwirtschaft, which is a regular participant in World Bank bond offerings in Germany.

BACKGROUND ON KEY PARTICIPANTS

P.P. Narayanan (President, ICFTU)

Born in Malabar, India in 1923. A Malaysian miner who played a key role in establishing a National Union of plantation workers. President of the ICFTU since 1975.

John Venderveken (General Secretary, ICFTU)

A Belgian citizen (55 years old) who came up through the ranks of the ICFTU in Geneva. Assistant Secretary of several departments since 1951. General Secretary since 1982. He is responsible for preparing the ICFTU's position on Head-of-State summits, etc.

André Bergeron (Secretary General, CGT/FO)

The Secretary General is the top position in the CGT/FO. A printer by trade, he is 67, and was born in Suarce, France.

Norman Willis, (General Secretary, TUC)

An Oxford-educated Britisher (52) who has been affiliated with the leadership of the TUC since 1949.

Ernst Breit, (President, DGB)

Born in Dittmatschen in 1924. Former president of the Postmens' Trade Union and President of the DGB since 1982.

FACSIMILE TRANSMITTAL FORM

INTBAFRAD PARIS Date: April 4, 1985

NUMBER OF MESSAGE: .....579.....

NUMBER OF PAGES: .....1.....

TO: Mr. William Stanton, VPE

FROM: Tim Cullen, EUR

SUBJECT: Visit to Washington of Trade Union Leaders

1. As discussed on the phone, I understand that the Union leaders plan to ask questions along the following lines:

a) In light of the Bank's initiative for Sub-Saharan Africa, what is the Bank doing to promote food production in rural areas? How is the Bank cooperating with other agencies in this area?

b) How do the World Bank and the IMF cooperate on Structural Adjustment loans? Can you give examples of World Bank conditionality?

c) Does the World Bank assist countries with the restructuring of their commercial debt? If not, does it see a role for itself in this area in the future?

d) The delegates feel IDA and IBRD resources are inadequate. What are the barriers to increased concessional and market funds?

e) What scope does the Bank see for increased consultation with Trade Unions in borrowing countries? For example, could the Bank's resident representatives meet regularly with Union leaders in developing countries? (The ICFTU feels that if Unions are better informed of painful adjustment measures they can diffuse criticism from their supporters.)

2. As discussed, it is expected that the lunch will focus on the IMF as Mr. de Larosière and his colleagues were unable to schedule a meeting with the delegates during the morning. While the lunch presents an opportunity for Mr. Clausen to chat informally with the Union leaders, no major contribution is expected from him during the business part of the lunch. Nevertheless Mr. de Larosière was apparently keen for Mr. Clausen to be there for the lunch (as were Mr. Blanchard and the Union leaders).

3. It would be appropriate for Mr. Clausen to express his appreciation to ICFTU and the Union leaders for their support for IDA and for the Special Facility for Sub-Saharan Africa.

Cuba Tie ~~wars~~ - Trade union membership
+ Human rights? Repression

Sovereign Rights

POLICIES

Development fund cut Bank
Default on Debt

~~growing~~ Poorest	Crisis

New Marshal Plan ?

DICHOTOMY w/ SOLUTION.
Problem, freedom/w/o
human rights

Funds go to
projects ~~mafiaus~~ defense
money is fungible

Meeting with Union Leaders: background note

Bank/Fund cooperation on structural adjustment loans

Close consultations at all stages. Examples: Panama, Jamaica, Guyana, Bolivia. In some cases joint or parallel missions (Jamaica, Bolivia). Objective of consultations: to dovetail IMF demand management measures with Bank program usually focussing on export promotion, rationalization of public expenditures, financial improvements in particular state enterprises, public investment planning mechanisms and pattern.

Examples of Bank conditionality: ensuring competitiveness of manufacturing sector (e.g. Jamaica); improving the savings performance of major public enterprises, for example electric power (e.g. Brazil); ex-post support for difficult adjustment policies such as reduction in agricultural export taxes (e.g. Uruguay); replacement of quantitative import restrictions by tariffs (e.g. Colombia).

Bank help with commercial debt restructuring. Technical assistance where sought, especially in working out alternative balance of payments projections, and also in presenting "state of the arts" financial solutions from our financial staff. Bank staff have been asked by countries and commercial banks to make presentations about the medium-term prospects to commercial bank meetings. Bank has also helped mobilize additional commercial bank funds through co-financing and limited guarantees (e.g. Paraguay).

(These are some replies to the preceding questions - as prepared by Guy Pfeffermann).

Attachment 2

CONCLUSIONS OF CONFERENCE

ON:

NEW APPROACHES TO THE ECONOMIC CRISIS

IN LATIN AMERICA AND THE CARIBBEAN

ICFTU/ORIT CONFERENCE

Mexico City/Cuernavaca
20-22 August 1984

on:

A.9

New Approaches to the Economic Crisis in Latin America and the Caribbean

1. Introduction

Over the last two to three years the standard of living of virtually all Latin American and Caribbean workers has declined disastrously. Families that before the crisis existed in chronic poverty must now try to survive on significantly less than they could buy three years ago. Families that had achieved a degree of economic security have now been plunged down into deprivation. About 30 percent of the region's workforce can find no regular work. Millions of children are going hungry every day.

The reality of the current depression contrasts starkly with the potential of the region. Natural resources, an emerging industrial base and in many countries a high standard of education hold the promise of prosperity for all. But rather than assist the region to grow and overcome its problems, the economic powers of the world, both governmental and financial seem intent on pushing the working people of the region back into poverty.

The drastic deterioration in living standards and employment prospects over the last three years stem from a chain of events which in many cases were caused by external factors, but later affected the region's political and economic history. The debt crisis, which is the immediate cause of the catastrophic decline, is in part the result of far-reaching changes in the world economy to which governments collectively have failed to adapt, and in part a consequence of long-running weaknesses in the development strategies pursued by a number of governments in the region. Moreover, it is now those who were least responsible for the origins of the crisis who are carrying the greatest burden -- the working people of Latin America and the Caribbean.

There is a deep sense of indignation, frustration and desperation through Latin America and the Caribbean over the severity and the inequity of the austerity measures now being used to transfer resources from the region to pay interest on the debts. This is not surprising. It is entirely justifiable to question the nature of financial obligations which are creating poverty and hunger for millions of people who benefitted little from the loans.

This is the background against which representatives of trade union organizations in Latin America and the Caribbean met in Mexico City and Cuernavaca for three days from August 20 through August 22, 1984. They were joined in their debates by delegations from the ICFTU's affiliates in the United States, Canada, Denmark, the Federal Republic of Germany, Israel, Spain and Italy, representatives of International Trade Secretariats

and the Trade Union Advisory Committee (TUAC) to the Organization for Economic Cooperation and Development (OECD). Guest participants from the International Monetary Fund (IMF), the International Labour Organization (ILO), the UN Economic Commission for Latin America and the Caribbean (ECLA), the Organization of American States (OAS), the Inter-American Development Bank (IADB) and representatives of the governments of Argentina, Mexico and Venezuela also took part in the proceedings.

The Conference was opened by his Excellency the President of the Republic of Mexico, Sr. Miguel de la Madrid and was later addressed by the Ministers of Labour of Venezuela and Argentina.

The guiding theme of the debate was the inter-relationship between the wider international economic situation and the absence of a regional strategy for growth with social justice. The conclusions are therefore directed towards government policy at the international, regional and national levels, as well as towards trade unions' own programmes of action to tackle the crisis.

2. The Trade Union Movement and the Crisis

The economic crisis will not go away of its own accord. Measures must be taken at national, regional and international levels to improve the economic position of the region. The free and democratic trade union movement of the region is prepared to play its part in the search for new approaches to development, but in taking on this responsibility unions call upon governments, banks and international financial agencies to fully recognize the need to reduce unemployment and poverty through policies for growth with social justice. The crisis is seriously damaging the living standards of working people and their families who will, as a result, expect policies which deal with the debts to also alleviate their own pressing and urgent problems. Union cooperation and participation in the development of new policies will depend on the responsiveness of governments, the banks and the international agencies to union proposals which demand as their main objective the improvement of the living and working conditions of the mass of the region's population.

This crisis will not be solved over-night. Its roots go deep into the economic, social and political systems of the region and are closely linked to the failure of the main industrialized countries to agree to reform the institutions of international policy-making.

3. Medium-Term Policies

Policies must be developed in a medium-term frame, but it is essential for immediate steps to be taken. In many parts of the region people are going hungry as a result of policies to pay off the debts. Cutting back food production or suspending welfare programmes to pay excessive real interest rates on foreign debts is not only morally inacceptable, it is also economically irrational.

The terms and conditions of the region's international financial obligations are totally unrealistic. The serious deterioration of the world economy over the last three to four years, notably the weakening of the region's export prices, the recession in main industrial country markets, the rapid rise in real interest rates and the instability of exchange rates, has resulted in an intolerable burden of debt service payments.

The crisis threatens and erodes the few existing democratic structures and hinders their establishment in the rest of the region.

A number of Latin American governments have made extremely reasonable proposals in the "Cartagena Consensus" for a new negotiated policy between debtors and creditors which would ease the current situation and build up the foundations of more durable international financial systems. If acted upon quickly, these proposals can mark the beginning of a new approach. As such they can be supported by the international free trade union movement. However, we should be aware that time is pressing and if tangible progress is not made in the immediate future, other solutions will have to be found. Trade unions are fully aware of the damaging consequences both to the region and the world economy of a breakdown in debt service payments; they are also aware that the severity of the austerity measures associated with the maintenance of the debt payments is equally grave and could lead to unilateral debt moritoriums.

4. International Financial Institutions

At the international level, therefore, the forthcoming meetings of the IMF and the World Bank should adopt the following measures:

a.) continuous coordinating by the main industrial countries or monetary policies with a view to reducing and stabilizing real interest rates and stabilizing exchange rates;

b.) changed IMF loan conditions to promote balance-of-payments adjustments through growth oriented policies of investment and employment promotion;

c.) new arrangements for IMF loans so as to provide more support over longer periods to countries in balance-of-payments difficulties, which do not inhibit development; the IMF should also encourage governments to consult on their adjustment policies with the trade union movement;

d.) increased access to IMF resources for developing countries by, amongst other things, increased quotas and a new issue of Special Drawing Rights;

e.) a new system for the multilateral restructuring of developing countries high-cost short-term commercial loans so as to establish a pattern of debt service payments fitted to the countries ability to pay; this should include generous periods of grace, where necessary;

f.) new rules for cooperation between the IMF and central banks authorities to prevent capital flight;

g.) an increase in the resources of the World Bank, including the International Development Association, and the Inter-American Development Bank;

h.) the IMF and other agencies should take the view of the ILO into account in their policies, in line with the 1984 International Labour Conference resolution on employment policy.

In addition the Conference calls upon the IMF to:

a.) carry out studies on the social context of IMF policies taking into account trade union views and policies on national, regional and international economic problems;

b.) open a dialogue, within the framework of IMF procedures, between IMF officials and trade union representatives at national, regional and international levels.

Industrialized Country governments should work for a set of balanced growth-stimulating measures aimed at strengthening world trade. This package should include multilateral measures to reduce trade barriers to imports from developing countries, increase official development assistance and strengthen the work of international development agencies, especially the UNCTAD Integrated Programme on Commodities, the UN Code of Conduct on Transnational Corporations and the Generalized System of Preferences.

5. Regional Policy

At the regional level, governments should increase the exchange of information and formulation of policies on areas of mutual interest. In particular, they should seek to formulate common negotiating objectives on the terms of loan rescheduling and IMF programmes. They should also step up their activities within institutions such as the UN Economic Commission for Latin America and the Caribbean, the Organization of American States, the Inter-American Development Bank, the International Labour Organization and the Food and Agriculture Organization. Joint infrastructure projects for transport and energy should be undertaken and a major effort made to reduce intra-regional trade barriers.

6. National Policies

At the national level, governments must modify their policies to reflect the urgency of the social crisis affecting the region as well as the external financial problems. Labour intensive infrastructure projects should be maintained and increased. Intergrated rural development, including land reform programmes, should be intensified on the basis of close cooperation with the organizations of rural workers and farmers. Such programmes should improve agriculture productivity, employment, wages and the quality of rural life. Skill training programmes should be stepped up. Governments should also reduce to a minimum the levels of military expenditure, especially on unnecessary imports of expensive hardware. Similarly many governments should undertake a reform of the tax system so as to insure that those most able to bear the burden contribute fully to financing government expenditures.

Every effort must be made to protect the wages and jobs of the workers. Governments should not introduce unilateral cut-backs. Economic programmes should be subject to regular joint review with provisions for real wage increases in line with the control of inflation.

7. A Trade Union Call to Action

The economic crisis poses new challenges to the free and democratic trade union movement. In order to protect and promote the interests of union members and working people generally, the trade union movement must bring about a major change in national, regional and international economic policies. This will entail developing concrete proposals on the main issues of concern and persuading governments that they must be included in their programmes.

A prerequisite for the involvement of trade unions in the search for new approaches to development is the full recognition of freedom of association, since in a number of countries of the region this right has yet to be established. We point out that economic justice cannot be attained without democratic freedom. The effective involvement of unions in the determination of economic policy-making will entail a major advance in the role in society. In all countries, unions must ensure that the independent voice of the working people is heard, with a clear, constructive and convincing message.

Today, more than ever, the traditional characteristics of the trade union movement of unity size and representativeness will be necessary to achieve the following proposals:

At the National Level

Unions must establish a regular dialogue with government on the economic situation, future prospects and policies. This process of dialogue will enable unions to communicate their views directly to the ministers concerned.

Where political conditions make such a dialogue impossible, as in the dictatorship countries, unions will still wish to prepare and publicize their views and proposals on the economic situation. Unions will request governments for meetings with the IMF missions visiting countries for negotiations on adjustment programmes.

Unions will give close attention to:

Tax and spending policies which benefit the wealthy elites and the military rather than the workers, especially measures to prevent tax evasion;

Investment policies, particularly projects which rely too heavily on imported equipment and do not maximize employment creation;

Comprehensive rural development geared towards effective water management, more intensive land use, reform of tenure, increased food production, import saving, job creation and the participation of rural workers through their own organizations. These policies should aim at slowing migration to the cities;

Monetary policies which have swung destructively between deflationary restrictiveness and inflationary laxity;

Trade and investment policies which have failed to diversify the export sector away from basic commodities, reduce dependence on manufactured imports and create a capital industry

The development of systems of banking and finance which prevent capital flight, encourage national saving and reduce demand for foreign borrowing; and

Projects aimed at developing economic democracy, which is an important ingredient of democratic freedom, including trade union socio-economic projects based on collective ownership.

The overall objectives of policies in these areas should be the maximization of employment opportunities, the reduction of social inequality, the improvement of the trade balance and a steady reduction in dependence on foreign borrowing. In the context of economic and social policies which reflect the workers demands for justice and participation, unions will be prepared to discuss the development of wages.

At the Regional Level

The ORIT and its sub-regional bodies CTCA and the CCL, in cooperation with organizations sharing the ideals of free and democratic trade unionism, will need to step up their activities within the regional inter-governmental organizations. The presentation of the conclusions of the Conference to all the relevant regional organizations and special high-level meetings on the economic crisis (e.g., Buenos Aires, September 1984), will be a first step towards a closer involvement in regional policy-making. ORIT and its affiliates will intensify their work within the ILO's regional advisory machinery for the Americas and become more closely involved in the ILO's Employment Programme.

The ORIT will integrate the conclusions of this Conference into its education programmes and similarly encourage national affiliates to include the question of new approaches to economic development in their own educational activities. The ORIT magazine will also be used as a forum for the exchange of information amongst affiliates within the region on current economic problems. Future ORIT Executive Board meetings will include a regular item on regional economic cooperation and development.

The Conference calls on the ORIT Executive Board to consider the organization of a special day to disseminate throughout the continent the views of ORIT and its affiliates on the economic crisis.

At the International Level

The ICFTU will continue to present its case for an internationally co-ordinated programme for full employment and an end to poverty. Particular emphasis will be placed on reform of the international financial system as part of the ICFTU's policies for a new international economic and social order. The conclusions of this Conference will be communicated to the IMF and the World Bank.

Heretofore there has been practically no consultation between the free trade union movement and the major mutilateral financial institutions. The private banks that engage in international lending, however, are in almost continuous consultation with these institutions. It is not surprising, therefore, that programmes adopted for the solution of debt crisis have almost without exception been contrary to the interests of workers and reduced their already too low living standards. Since this will seriously affect the future prospects of democracy in many nations, the ICFTU-ORIT Cuernavaca Conference of August 1984, recommends that the ICFTU, with the assistance of affiliates that may be helpful, organize a dialogue at the highest level between the leaders of ICFTU-ORIT affiliates and the heads of the multilateral public financial institutions, including the IMF, to discuss alternative conditions for debt solutions that give high priority to the interests of the workers.

Conclusions

International trade union cooperation through the ICFTU is now especially important for the Latin American and Caribbean trade unions in view of the need to communicate the urgency of the region's problems to the industrialized countries. A full report of this Conference will be circulated to all ICFTU affiliates with a request that its main proposals be presented to governments. The ICFTU Executive Board will also consider follow up action on the Conference report at its next meeting..

INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS

EXECUTIVE BOARD

Brussels, 12-14 December 1984

Statement on Famine in Africa - The Critical Social and Economic Situation

1. The African continent is currently in the grip of an extremely alarming situation which threatens almost half of its estimated 370 million people with famine and malnutrition on a serious scale, if present trends are not averted. Prolonged drought has left 35 million people in 27 African nations in desperate need of immediate help, while 36 of Africa's 50 countries face severe food shortages.

2. Earlier this year, Mozambique was number one on the FAO's critical list of drought-affected countries, with deaths from starvation occurring at the rate of 15 per day. The most seriously affected country at the present time is Ethiopia, where thousands of lives have already been lost, and where 6 million drought victims face the stark alternatives of urgent relief assistance or death. The situation has also reached crisis proportions in Chad, where several thousand persons have already died, and where some 200,000 displaced persons are desperately moving around the country in search of food.

3. The ICFTU wishes to express its deep concern at this state of tragic human suffering in Africa. Already cognisant of the impending crisis in March of this year, the trade union conference organised by the ICFTU and the Confédération Nationale des Travailleurs du Sénégal and held in Dakar had launched an urgent appeal to African governments and to the international community to institute concerted and coordinated efforts aimed at immediate relief assistance to the drought stricken, in order to avert the worst effects of the crisis, and to address seriously, the longer-term policy initiatives needed to take the continent out of the crisis, and restore a pattern of growth and development.

4. The Conference proceedings had emphasized that a series of externally and internally determined factors were placing severe burdens on the capacity of African countries to escape the trap of poverty and underdevelopment without massive external assistance. The accumulated problems of the world economic recession, low growth momentum in the world economy, stagnation in African economies, including the agricultural sector and food production, drought, desertification, inappropriate domestic policies, and externally inspired austerity programmes had all contributed to the serious state of affairs. The conclusions of the Conference, the Dakar Declaration, constituted an urgent agenda for action aimed at redressing the critical socio-economic situation in Africa.

5. The appeal launched in Dakar has been repeated on several occasions in the course of this year. Shortly after the Conference, the General Secretary of the ICFTU presented the Dakar Declaration to the Secretary General of the United Nations, while his address to the 70th Session of the ILO Conference in June 1984, focussed among others on the serious problems faced by

Africa. The critical situation in Africa, and the trade union proposals for overcoming it, were also the subject of ICFTU addresses to the 19th Session of the United Nations Economic and Social Commission for Africa in May 1984, and the 2nd Regular Session of ECOSOC in July 1984. In a circular to affiliates in October 1984 (Circular No. 42), the ICFTU drew attention to the tragic situation in Ethiopia, and appealed to affiliates to put pressure on their governments to respond positively to appeals for the provision of food, and related relief assistance.

6. The response of the international community in terms of food aid and other emergency supplies has been encouraging, but it is to be deeply regretted that the arrival of relief assistance had not been timely enough, nor the distribution rapid enough to prevent the loss of hundreds of thousands of lives. It is even more regretable that industrialized countries and multilateral financial institutions have not made adequate efforts to support the kinds of long-term structural adjustment programmes geared to meeting basic needs, which would have contributed to restoring self-reliant growth in African countries. Total net ODA disbursements (Official Development Assistance) to sub-Saharan Africa have stagnated in the 1980s, and the grant portion of such disbursements have been reduced. IMF-style austerity packages in many African countries have had the effect of further depressing economic activity and worsening living conditions for the countries' populations.

7. While food aid is an absolute priority over the short-term, unless the longer-term structural causes of stagnation in agriculture are addressed, and sustained efforts made to eliminate the syndrome of poverty, poor health and malnutrition, the crises will recur in country after country, threatening the very survival of the African continent.

8. Thus the immediate and urgent need is for the provision of food aid and related relief assistance, and the effective coordination of the transportation, storage and maintenance services essential to ensuring their timely distribution to stricken areas. Early warning systems and relief assistance efforts must be closely coordinated and operate in an efficient manner, in order to avert the situation of prolonged starvation threatening many parts of Africa. The building up of international food reserves for emergency deployment must be an essential part of that effort. The international community must remain responsive to the requests for assistance made by the FAO, the UN Disaster Relief Organisation and other international agencies involved in disaster relief programmes. The work of these various agencies must in turn be carefully coordinated.

9. Over the longer term, the structural basis for agriculture and food production must be rehabilitated through integrated rural development programmes which emphasize soil and water management, reforestation, technical and credit support to small-scale food producers through agricultural extension services, land reforms, the development of efficient transport, storage and marketing facilities and a pricing policy which gives incentives to surplus production. Consultations with rural workers' organisations must be an essential part of this policy-making and implementing process. In some instances, the difficult but inevitable problem of the permanent resettlement of populations away from confirmed desert areas, of the settling of nomadic populations, would have to be faced.

10. At the Dakar Conference, trade unions stressed the need for international trade union solidarity concerning their role as vital partners in the process of restoring growth and development in African countries. It is important that this role be recognised, and that trade unions be allowed to participate in both the short and long-term efforts of governments and intergovernmental organisations, to provide solutions to the critical problems of Africa.

Copy to Mr. Stanton and 4/5

450

INTERNATIONAL LABOUR OFFICE
GENEVA

THE DIRECTOR-GENERAL

28 March 1985

Dear Tom

Further to my letter of 4 March 1985, I am attaching the list of persons who will be attending the lunch on 9 April in addition to yourself and Jacques de Larosière. There may be some last-minute changes but I do not think it very likely.

I look forward to seeing you in Washington.

With kind regards,

Yours sincerely,

Francis Blanchard

Mr. A.W. Clausen,
President,
World Bank,
1818 H Street, N.W.,
WASHINGTON, D.C. 20433

LIST OF INVITEES

Luncheon

(Tuesday 9 April)

Washington

(Hay-Adams Hotel, Suite 706)

Apart from yourself and Mr. de Larosière, the following persons will attend:

Dr. P.P. Narayanan	(Malaysia)	President, ICFTU
André Bergeron	(France)	Secretary-General, Force Ouvrière
Irving Brown	(USA)	Director for International Affairs, AFL-CIO
Juan Delpino	(Venezuela)	President, Confed. Workers, Venezuela
Lane Kirkland	(USA)	President, AFL-CIO
Gerd Muhr	(FRG)	Vice-President, DGB
Norman Willis	(UK)	General Secretary, TUC

John Vanderveken	(Belgium)	General Secretary, ICFTU
Enzo Friso	(Italy)	Assistant Gen. Sec., ICFTU
Stephen Pursey	(UK)	Head of Economic/Social Policy Dept ICFTU
Oscar de Vries Reilingh	(Netherlands)	Director, ICFTU Geneva Office

ILO
Geneva,
28 March 1985

FORM NO. 1663
(5-80)

THE WORLD BANK

ROUTING SLIP	DATE: 3/11/85

FROM THE OFFICE OF THE
VICE PRESIDENT, EXTERNAL RELATIONS

NAME	ROOM NO.
Helen H	

	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	COMMENT		PER OUR CONVERSATION
	FOR ACTION		PER YOUR REQUEST
X	INFORMATION		PREPARE REPLY
	INITIAL		RECOMMENDATION
	NOTE AND FILE		SIGNATURE

REMARKS:

For your information - I'll be meeting him downstairs.

FROM: Joy V. 72173

March 8, 1985

Mr. John Vanderveken
General Secretary
International Confederation
of Free Trade Unions
Rue Montagne aux Herbes Potageres 37-41
1000 Bruxelles
Belgium

Dear Mr. Vanderveken:

As the Senior Adviser in the Office of the Vice President, External Relations, I have been asked to coordinate the forthcoming ICFTU leaders' meeting with Mr. Clausen.

As Mr. Clausen told you on January 10, we are all looking forward to seeing you in his office at 3:00 p.m. on April 9. As you know, the best Bank entrance to take would be at 701 Nineteenth Street. Someone will be waiting at the reception desk there to escort you up to Mr. Clausen's office on the Twelfth Floor.

Besides Mr. Clausen and myself, the Vice President for Latin America and the Caribbean, Mr. David Knox, and the Chief Economist for that region, Mr. Guy Pfeffermann, will also attend. I would appreciate your letting me know, closer to the date, the names of the other members of your delegation who will accompany you to the Bank.

If you need any more information, please contact me. In the meantime, I shall look forward to meeting you.

Sincerely,

J. William Stanton
Senior Adviser
External Relations

bcc: Mr. Clausen

January 10, 1985

Dear Mr. Vanderveken:

Thank you for your letter concerning a possible meeting on April 9. We would be pleased to get together with members of your Executive Council to follow up on the conclusions of the Cuernavaca Conference. Let me suggest that we meet at 3:00 p.m. on the 9th in my office here at the Bank.

Thanks also for the copy of your statement on the tragic situation in Africa. It is a thought-provoking analysis of the situation, and I am taking the liberty of sharing it with some of my colleagues here in the Bank.

We look forward to seeing you on the 9th. You can contact my secretary, Myra Holsinger, to confirm the timing of the meeting and to let us know who will be joining from your side.

Sincerely,

A. W. Clausen

Mr. John Vanderveken
General Secretary
International Confederation
of Free Trade Unions
Rue Montagne aux Herbes Potageres 37-41
1000 Bruxelles
Belgium

bcc: Messrs. Burki, Stanton and Cullen

VRS:MH

1414

ICFTU international confederation of free trade unions
CISL confédération internationale des syndicats libres
IBFG internationaler bund freier gewerkschaften
CIOSL confederación internacional de organizaciones sindicales libres

RUE MONTAGNE AUX HERBES POTAGÈRES 37-41 - 1000 BRUXELLES, BELGIQUE
☎ 02 217 80 85 - TELEGR.: INTERCONFED BRUXELLES - TELEX: 26785 ICFTU BRU

P.P. NARAYANAN
President - Président
Präsident - Presidente

JOHN VANDERVEKEN
General Secretary - Secrétaire général
Generalsekretär - Secretario General

ESP/SP/mj

20 December 1984

Mr. A. W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
USA

Dear Mr. Clausen,

International Economic Issues

Thank you for your reply of October 3 and your interest in the ICFTU's proposals on international economic issues.

As I mentioned in my earlier letter, the ICFTU Executive Board meeting on December 12-14, 1984 discussed how we should follow-up the Cuernavaca Conference conclusions. Amongst other things, they have requested me to seek a meeting between a small high-level ICFTU delegation and the executive heads of the main multilateral financial agencies. I am therefore writing to ask whether you and your senior staff could receive such a delegation. The next ICFTU Executive Board meeting will be held in Washington, D.C., on April 11-12, 1985, and I would be very pleased if I and Mr. Lane Kirkland, President of the AFL-CIO, together with a few other members of our Executive could meet you, perhaps on Tuesday, April 9. I realise that this will be a very busy time for the World Bank in view of the meeting of the Development Committee the following week, however, if it is possible, I believe a short discussion between yourself and top trade union leaders from many of the Bank's main donor countries could be of considerable mutual interest.

One additional item to which I would like to draw your attention is a statement on the food crisis in Africa adopted by the Executive Board (copy enclosed). The Board, like the Bank, is extremely concerned about the gravity of the economic and social situation in Africa and our affiliates will be pressing governments, particularly in the main industrial countries, to step up relief aid and long-term development assistance to the continent.

We do have close contacts with the World Bank's Paris Office and I understand that preliminary discussion on a possible meeting have already taken place. I therefore look forward to an early favourable reply.

Yours sincerely,

General Secretary

Enclosure
cc: Mr. T. Cullen, World Bank, Paris

INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS

EXECUTIVE BOARD

Brussels, 12-14 December 1984

Statement on Famine in Africa - The Critical Social and Economic Situation

1. The African continent is currently in the grip of an extremely alarming situation which threatens almost half of its estimated 370 million people with famine and malnutrition on a serious scale, if present trends are not averted. Prolonged drought has left 35 million people in 27 African nations in desperate need of immediate help, while 36 of Africa's 50 countries face severe food shortages.

2. Earlier this year, Mozambique was number one on the FAO's critical list of drought-affected countries, with deaths from starvation occurring at the rate of 15 per day. The most seriously affected country at the present time is Ethiopia, where thousands of lives have already been lost, and where 6 million drought victims face the stark alternatives of urgent relief assistance or death. The situation has also reached crisis proportions in Chad, where several thousand persons have already died, and where some 200,000 displaced persons are desperately moving around the country in search of food.

3. The ICFTU wishes to express its deep concern at this state of tragic human suffering in Africa. Already cognisant of the impending crisis in March of this year, the trade union conference organised by the ICFTU and the Confédération Nationale des Travailleurs du Sénégal and held in Dakar had launched an urgent appeal to African governments and to the international community to institute concerted and coordinated efforts aimed at immediate relief assistance to the drought stricken, in order to avert the worst effects of the crisis, and to address seriously, the longer-term policy initiatives needed to take the continent out of the crisis, and restore a pattern of growth and development.

4. The Conference proceedings had emphasized that a series of externally and internally determined factors were placing severe burdens on the capacity of African countries to escape the trap of poverty and underdevelopment without massive external assistance. The accumulated problems of the world economic recession, low growth momentum in the world economy, stagnation in African economies, including the agricultural sector and food production, drought, desertification, inappropriate domestic policies, and externally inspired austerity programmes had all contributed to the serious state of affairs. The conclusions of the Conference, the Dakar Declaration, constituted an urgent agenda for action aimed at redressing the critical socio-economic situation in Africa.

5. The appeal launched in Dakar has been repeated on several occasions in the course of this year. Shortly after the Conference, the General Secretary of the ICFTU presented the Dakar Declaration to the Secretary General of the United Nations, while his address to the 70th Session of the ILO Conference in June 1984, focussed among others on the serious problems faced by

Africa. The critical situation in Africa, and the trade union proposals for overcoming it, were also the subject of ICFTU addresses to the 19th Session of the United Nations Economic and Social Commission for Africa in May 1984, and the 2nd Regular Session of ECOSOC in July 1984. In a circular to affiliates in October 1984 (Circular No. 42), the ICFTU drew attention to the tragic situation in Ethiopia, and appealed to affiliates to put pressure on their governments to respond positively to appeals for the provision of food, and related relief assistance.

6. The response of the international community in terms of food aid and other emergency supplies has been encouraging, but it is to be deeply regretted that the arrival of relief assistance had not been timely enough, nor the distribution rapid enough to prevent the loss of hundreds of thousands of lives. It is even more regretable that industrialized countries and multilateral financial institutions have not made adequate efforts to support the kinds of long-term structural adjustment programmes geared to meeting basic needs, which would have contributed to restoring self-reliant growth in African countries. Total net ODA disbursements (Official Development Assistance) to sub-Saharan Africa have stagnated in the 1980s, and the grant portion of such disbursements have been reduced. IMF-style austerity packages in many African countries have had the effect of further depressing economic activity and worsening living conditions for the countries' populations.

7. While food aid is an absolute priority over the short-term, unless the longer-term structural causes of stagnation in agriculture are addressed, and sustained efforts made to eliminate the syndrome of poverty, poor health and malnutrition, the crises will recur in country after country, threatening the very survival of the African continent.

8. Thus the immediate and urgent need is for the provision of food aid and related relief assistance, and the effective coordination of the transportation, storage and maintenance services essential to ensuring their timely distribution to stricken areas. Early warning systems and relief assistance efforts must be closely coordinated and operate in an efficient manner, in order to avert the situation of prolonged starvation threatening many parts of Africa. The building up of international food reserves for emergency deployment must be an essential part of that effort. The international community must remain responsive to the requests for assistance made by the FAO, the UN Disaster Relief Organisation and other international agencies involved in disaster relief programmes. The work of these various agencies must in turn be carefully coordinated.

9. Over the longer term, the structural basis for agriculture and food production must be rehabilitated through integrated rural development programmes which emphasize soil and water management, reforestation, technical and credit support to small-scale food producers through agricultural extension services, land reforms, the development of efficient transport, storage and marketing facilities and a pricing policy which gives incentives to surplus production. Consultations with rural workers' organisations must be an essential part of this policy-making and implementing process. In some instances, the difficult but inevitable problem of the permanent resettlement of populations away from confirmed desert areas, of the settling of nomadic populations, would have to be faced.

10. At the Dakar Conference, trade unions stressed the need for international trade union solidarity concerning their role as vital partners in the process of restoring growth and development in African countries. It is important that this role be recognised, and that trade unions be allowed to participate in both the short and long-term efforts of governments and intergovernmental organisations, to provide solutions to the critical problems of Africa.

October 3, 1984

Dear Mr. Vanderveken:

Thank you for drawing my attention to the conclusions of the ICFTU/ORIT Conference on New Approaches to the Economic Crisis in Latin America and the Caribbean, held recently in Mexico City.

In my address to the Bank/Fund Annual meetings last week, attention was also focused on the adjustment problems of the heavily indebted nations of Latin America. I enclose a copy of my statement. Earlier in the week, the Bank-Fund Development Committee had identified some international economic issues, including external indebtedness, the structure of capital flows, as well as the need for a resumption of growth in the developing countries, for discussion at the Committee's spring meeting next year. The discussions which took place at the ICFTU/ORIT conference in Mexico City were therefore timely and should strengthen the international dialogue on these difficult economic and financial issues.

We very much appreciate the recommendation of your conference for an increase in the resources of the World Bank and IDA. These are, of course, matters of ongoing importance to the institution and we welcome the support of organizations such as yours.

I look forward to receiving the report of the conference after consideration by your Executive Board and to developing further contacts with our staff either at your Brussels headquarters or here in Washington.

Sincerely,

(Signed) A. W. Clausen

Mr. John Vanderveken
General Secretary
International Confederation
of Free Trade Unions
Rue Montagne aux Herbes Potageres 37-41
1000 Brussels, Belgium

cc: Messrs. S.J. Burki (o/r)
M. Bart
VMasoni/DRClarke:mgf

FORM NO. 89
(2-83)

THE WORLD BANK

ROUTING SLIP	Date March 19

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Stanton	

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

Re Mr. Clausen's note. I'm not sure who is doing the briefing for Mr. Clausen's meeting with the trade union leaders on April 9. But could some information on these organizations and people be included?

Thanks.

Myra Holsinger

From

3-15-85

Wanted the good
to have some
background on these
organizations and
their people!

O

Copy to Mr. Stanton for info
sent 3/12 RI

INTERNATIONAL LABOUR OFFICE
GENEVA

291

THE DIRECTOR-GENERAL

4 March 1985

Dear Tom

I should like to thank you for your telex of 11 February confirming that you will be free for lunch on Tuesday 9 April.

In addition to yourself and Mr. de Larosière, several world trade union leaders will be present. A tentative list is:

Dr. P.P. Narayanan	(Malaysia)	President, ICFTU
John Vanderveken	(Belgium)	General Secretary, ICFTU
André Bergeron	(France)	Secretary-General, Force Ouvrière
Lane Kirkland	(USA)	President, AFL-CIO
Irving Brown	(USA)	Director for International Affairs, AFL-CIO
Norman Willis	(UK)	General Secretary, TUC
Ernst Breit	(FRG)	President DGB
Gerd Muhr	(FRG)	Vice-President, DGB

I will let you have the final list, once it has been established. The lunch will take place at the Hay-Adams Hotel, Suite 706, on the 7th floor, at approximately 1 p.m. I fully appreciate that you will be very busy that morning in view of your Board meeting and will wait until you can arrive. It was very kind of you to accept this invitation

Mr. A.W. Clausen,
President,
World Bank,
1818 H Street, N.W.,
WASHINGTON, D.C. 20433

and I am sure that the discussions that we will have will lead to a better mutual understanding between leading trade unionists and the heads of the international financial institutions and myself.

I look forward to seeing you in Washington.

With kind regards,

Yours sincerely,

Francis

Francis Blanchard

FORM NO. 27 - OCR
(5/82)

WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

ORTANT—PLEASE READ INSTRUCTIONS BELOW BEF TYPING FORM

Typewritten Character Must Fall Completely in Box!

PAGE 1 OF 1

OFFICIAL DEPT/DIV ABBREVIATION: EXC

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

FRANCIS BLANCHARD, DIRECTOR-GENERAL, INTERNATIONAL LABOR OFFICE, GENEVA, SWITZERLAND. APPRECIATE YOUR INVITATION FOR LUNCHEON APRIL 9 IN WASHINGTON WITH JACQUES DE LAROSIERE AND OTHERS. AM DELIGHTED TO ACCEPT. FEEL I SHOULD MENTION THAT OUR BOARD MEETS THAT MORNING AND I WILL NOT BE FREE UNTIL ONE P.M. AND HOPE THAT TIMING SUITS YOUR PLANS. LOOK FORWARD TO HEARING MORE FROM YOU AS TO TIME AND PLACE. REGARDS. A. W. CLAUSEN, THE WORLD BANK, WASHINGTON, D. C.

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.:

DATE: 2-11-85

SUBJECT: LUNCHEON INVITATION

DRAFTED BY: R. SOUTHWORTH

EXTENSION: 73585

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature): A. W. CLAUSEN

DEPARTMENT: OFFICE OF PRESIDENT

SECTION BELOW FOR USE OF CABLE SECTION

CHECKED FOR DISPATCH

DISTRIBUTION: WHITE—File Copy CANARY—Bill Copy WHITE—Transmittal Copy BLUE—Originator to Keep

E1227

TÉLÉCOMMUNICATIONS TELECOMMUNICATIONS

Bureau international du Travail Genève

TELEGRAM TELEX

International Labour Office Geneva

167

No de télex/Telex number	Destinataire/Addressee
WASHINGTON Telex No. RCA 248 423	INTBAFRAD WASHINGTON (USA)

Budget code	Référence (Ne pas remplir/Leave blank)
A	002975

Texte (taper en majuscules et double interligne)/Text (Type in capitals and double space)

FOR MR. CLAUSEN PRESIDENT WORLD BANK. EYE WOULD BE VERY GLAD TO HAVE THE PLEASURE OF YOUR COMPANY IF YOU ARE FREE ON TUESDAY NINE APRIL FOR A LUNCH IN WASHINGTON WITH JACQUES DE LAROSIERE AND A SMALL NUMBER OF LEADING NATIONAL AND INTERNATIONAL TRADE UNION LEADERS INCLUDING LANE KIRKLAND. KINDEST REGARDS

free, but it's a Board day

FRANCIS BLANCHARD

DIRECTOR-GENERAL

INTERLAB GENEVA

Code departement/Department code	No de dossier/File number
A.040.10	CAB File

Date	Nom et titre/Name and title	Interne/Extension	Signature
8.2.85	A. Ahmad (Cabinet)	6028	

ILO 1153 7.83

TELECOMMUNICATIONS

Bureau international du Travail Genève

TELEGRAM
TELEX

International Labour Office Geneva

No de telex/Telex number

WASHINGTON

Telex No. RCA 248 423

Destinataire/Addressee

INTERAFRAD

WASHINGTON

(USA)

Budget code

A

Référence (Ne pas remplir/Leave blank)

00297 5

Texte (taper en majuscules et double interligne)/Text (Type in capitals and double space)

FOR MR. CLAUSSEN PRESIDENT WORLD BANK. EYE WOULD BE VERY GLAD TO HAVE THE PLEASURE OF YOUR COMPANY IF YOU ARE FREE ON TUESDAY NINE APRIL FOR A LUNCH IN WASHINGTON WITH JACQUES DE LAROSIERE AND A SMALL NUMBER OF LEADING NATIONAL AND INTERNATIONAL TRADE UNION LEADERS INCLUDING LANE KIRKLAND. KINDEST REGARDS

FRANCIS BLANCHARD

DIRECTOR-GENERAL

INTERLAB GENEVA

Code département/Department code

A.040.10

No de dossier/File number

CAB File

Date

8.2.85

Nom et titre/Name and title

A. Ahmad (Cabinet)

Interne/Extension

6028

Signature

RECEIVED

1985 FEB -8 PM 5:20

OFFICE OF THE PRESIDENT

ILO 153 7.83

FACSIMILE TRANSMITTAL FORM

INTBAFRAD PARIS Date: April 4, 1985

NUMBER OF MESSAGE: .....579.....

NUMBER OF PAGES: .....1.....

TO: Mr. William Stanton, VPE

FROM: Tim Cullen, EUR

SUBJECT: Visit to Washington of Trade Union Leaders

1. As discussed on the phone, I understand that the Union leaders plan to ask questions along the following lines:

a) In light of the Bank's initiative for Sub-Saharan Africa, what is the Bank doing to promote food production in rural areas? How is the Bank cooperating with other agencies in this area?

b) How do the World Bank and the IMF cooperate on Structural Adjustment loans? Can you give examples of World Bank conditionality?

c) Does the World Bank assist countries with the restructuring of their commercial debt? If not, does it see a role for itself in this area in the future?

d) The delegates feel IDA and IBRD resources are inadequate. What are the barriers to increased concessional and market funds?

e) What scope does the Bank see for increased consultation with Trade Unions in borrowing countries? For example, could the Bank's resident representatives meet regularly with Union leaders in developing countries? (The ICFTU feels that if Unions are better informed of painful adjustment measures they can diffuse criticism from their supporters.)

2. As discussed, it is expected that the lunch will focus on the IMF as Mr. de Larosière and his colleagues were unable to schedule a meeting with the delegates during the morning. While the lunch presents an opportunity for Mr. Clausen to chat informally with the Union leaders, no major contribution is expected from him during the business part of the lunch. Nevertheless Mr. de Larosière was apparently keen for Mr. Clausen to be there for the lunch (as were Mr. Blanchard and the Union leaders).

3. It would be appropriate for Mr. Clausen to express his appreciation to ICFTU and the Union leaders for their support for IDA and for the Special Facility for Sub-Saharan Africa.

March 28, 1985

Mr. R. E. Butler
Secretary-General
International Telecommunication Union
Place des Nations
1211 Geneva 20
Switzerland

Dear Mr. Butler:

Many thanks for your letter of February 21, 1985 transmitting the report of the Independent Commission for World-Wide Telecommunications Development. We have read the report with great interest and would like to congratulate the Commission for producing an excellent document which highlights the critical importance of telecommunications infrastructure to LDC development.

The report's findings parallel our own conclusions in this area. Reflecting the critical bottleneck which lack of telecommunications poses to development, our projects typically have very high rates of economic return. For example, the economic rates of return for the six telecommunications projects most recently approved by our Board average around 25 percent, significantly above average for other Bank-supported projects. The report is a timely reminder that telecommunications can be an important stimulus for, rather than simply a consequence of, economic development.

We also support the Commission's recommendation for the establishment of a Center for Telecommunications Development under the auspices of the ITU. We would underline the importance of such a service to provide high caliber professional advice to LDCs on the development of their telecommunications infrastructure and associated telecommunications operating companies. The Center would be a valuable complement to other ITU technical cooperation activities and to the efforts of our own staff in these areas. In this connection we look forward to close collaboration between our telecommunications division and the new center once it is established. We also support the novel funding arrangements which would seek contributions in cash and kind from telephone operating companies and manufacturers around the world. Mr. Jean-Loup Dherse, Vice President for Energy and Industry, discussed the Center's work with Sir Donald Maitland during his recent Washington visit. As he indicated, the Center could carry out technical assistance and consultancy services in World Bank projects, once it is adequately staffed and, following our normal procedures, has been selected by the borrower for these tasks.

With reference to the Commission's specific recommendations relating to the World Bank and highlighted in your letter, I would like to confirm the following points: Under Bank management's proposal for a Multilateral Investment Guarantee Agency now under discussion with our shareholders, private overseas investments in telecommunications manufacturing and operating companies would indeed be covered, if they met the eligibility criteria generally applicable to investments under the scheme. In connection with the latter, I should note, however, that foreign private investment in operating companies has hitherto been quite limited as only a handful of LDC operating entities are presently in the private sector. A number of our client governments are taking steps toward privatizing certain parastatal investment and this may, eventually, include consideration of similar action regarding telecommunications. The World Bank and IFC would, of course, be ready to assist in such endeavors. If and when LDC governments decide to move in this direction, it will not generally involve foreign equity participation. The proposed multilateral guarantee scheme could, we anticipate, be an important catalyst in attracting the necessary foreign private capital for developing and expanding existing networks.

I am also happy to report to you that the "B" loan mechanism which was introduced by the Bank a couple of years ago includes the cross default arrangements recommended by the Commission and noted in your letter. This instrument allows the World Bank to cofinance projects with private commercial banks through a special syndicated loan arrangement. Indeed, the first "B" loan extended by the Bank was for telecommunications in Thailand in 1982. We are currently holding discussions with the government of Pakistan with a view to extending a similar cofinancing arrangement to complete the financing plan for the 1984-89 telecommunications development program for that country.

As you rightly point out, telecommunications has hitherto formed a relatively small part of Bank lending. Typically we have averaged three or four projects per year, with an annual average amount of approximately $200 million. However, reflecting the increasing priority which our member governments are now attaching to telecommunications development, we expect an increase in such lending in the next few years. Based on current plans, such lending might reach an annual level of about $500 million. Let me also assure you, in response to your letter of March 11, that Africa will not be neglected; our projects there will pay particular attention to rehabilitation and institutional strengthening, problems the Maitland Report rightly emphasize.

We will continue to pursue a catalytic role with respect to securing cofinancing through official development assistance, export credits and commercial lending for many components of telecommunications investment programs; we expect that our average participation will remain around 25 percent of total project costs.

Such a commitment would imply Bank involvement in total investments in the telecommunications sector of about $2 billion a year. This is still a modest portion of the Maitland Commission's $12 billion a year telecommunications investment target. However, given the fact that large LDCs (such as Brazil, India and China) are expected to meet the bulk of their telecommunications investment requirements from domestic production financed with their own funds, the Bank's role in other countries more dependent on external finance will be significantly higher than appears at first sight. Finally, I also wish to confirm that, in discussions with governments of their development plans and investment programs, we will continue to stress balanced infrastructure development and appropriate priority to telecommunications.

As you know, our staff participated actively in the work of the Commission both in discussions with Commission staff and during one of the meetings of the Commission itself. We expect to bring the report to the attention of our borrowers and explore with them the national application of the Commission's recommendations. We look forward to a continuing and close collaboration.

Sincerely,

A. W. Clausen
President

Cleared with and cc: Mr. Ernest Stern, SVPOP
Ms. M. Haug, Mr. A. Golan - INDDR
Mr. J-L. Dherse, EISVP
Mrs. E. Meigher, LEGVP

RDStern:rd

AWC Log # 325

INTERNATIONAL TELECOMMUNICATION UNION

THE SECRETARY-GENERAL

PLACE DES NATIONS
1211 GENEVA 20 - SWITZERLAND

Geneva, 11 March 1985

325

Mr. A.W. CLAUSEN
President
International Bank of
Construction and Development
1818 H Street, N.W.

WASHINGTON, D.C. 20433
United States of America

Dear Mr. Clausen,

You will have received by now my letter dated 21 February 1985 forwarding to you the Report of the Independent Commission for worldwide development of telecommunications entitled "The Missing Link" and I hope you have taken some time to ponder on the recommendations contained therein.

You will recall that during the last ACC meeting held in New York, you presented brilliantly the concerted programme of action for the stable development for Africa south of the Sahara achieved by your institution in collaboration with a number of UN specialized agencies. While renewing my congratulations to you personally for the pertinent arguments put forward in that programme and mainly for the strong will of all the UN system to help in any way possible the Africa south of the Sahara which is facing the most drastic crisis in its history, I should like to reiterate the observation I made earlier on the full programme's content, i.e. the lack of mention made on the infrastructure of telecommunications necessary to achieve the development of the countries.

I do hope that the Report of the Independent Commission you have just read will help you to appreciate better the rôle of the expansion of telecommunications across the world and particularly in the developing countries. Therefore, we shall welcome any adjustment you may wish to include in the follow-up action resulting from this document which recommend the ways and means of helping African countries to overcome their crisis.

Yours sincerely,

R.E. Butler
Secretary-General

Enc. : 1 copy of the "Executive Summary of The Missing Link"

INTERNATIONAL TELECOMMUNICATION UNION

THE SECRETARY-GENERAL

PLACE DES NATIONS
1211 GENEVA 20 - SWITZERLAND

21 February 1985

Mr. W.A. Clausen
President
International Bank for
Reconstruction and
Development
1818 H Street N.W.
WASHINGTON DC 20433
U.S.A.

Dear Mr. Clausen,

I have pleasure in informing you that the Independent Commission for World-Wide Telecommunications Development has now discharged its mandate and that the Chairman, Sir Donald Maitland, GCMG, OBE, has officially presented to me its Report entitled "The Missing Link". Two copies of this Report and of the Executive Summary, in English, are enclosed for your consideration. Five separate sets which include English, French and Spanish versions, are being forwarded separately.

The Commission was established in accordance with Resolution 20 of the ITU Plenipotentiary Conference (Nairobi, 1982), which recognized the growing and now fundamental importance of telecommunication infrastructures as an essential element in the economic and social development of all countries, to which the General Assembly of the United Nations drew attention in Resolution 36/40 of 1981. In essence, the mandate given to the Commission was to recommend novel ways in which the expansion of telecommunications across the world could be accelerated.

The Report of the Commission analyses current problems and examines a wide range of ways in which the present telecommunications imbalance between developed and developing countries can be attenuated. It also focuses attention on the benefits of improved telecommunications and on the mutual benefits to be derived by both developed and developing countries through the expansion of national telecommunication systems.

Going further than mere recognition of telecommunications as a basic infrastructure requirement for national development, the Report highlights the vital role that telecommunications play in emergencies and in the health services, as well as the support they can provide in agriculture, industry, transportation, public administration, commerce and social services. In fact, the Commission has expressed the view: "... that henceforward no development programme of any country should be regarded as balanced, properly integrated or likely to be effective unless it includes a full and appropriate role for telecommunications, and accords a corresponding priority to the improvement and expansion of telecommunications."

FORM NO. 249
(8–84)

THE WORLD BANK/IFC

INCOMING MAIL

DATE: FEB 25 1985

	Mr. Alisbah	E-324		Mr. Ohuchi	F-1220
	Mr. Baneth	I-7-100		Mr. Paijmans	A-1236
✓	Mr. Burki	E-812		Mr. Picciotto	H10067
	Mr. Cheetham	H-5-049		Mr. Qureshi	E-1241
	Mr. Clarke	I-3-161		Mr. Rajagopalan	E-1028
	Mrs. Clarke	D-1122		Mr. Ray	H-3-051
	Mr. Clausen	E-1227		Mr. Rayfield	H3-039
	Mr. Cosgrove	H2-103		Mr. Rotberg	E-427
	Mr. Dherse	C-502		Mr. Scott	E-715
	Mr. Feather	K-905		Mr. Serageldin	D-351
	Mr. Fuchs	B-404		Mr. Shihata	E-723
	Mr. Gue	E-923		Mr. Steckhan	B-906
	Mr. Hittmair	I-4-100		Mr. Stern	E-1227
	Mr. Hopper	H5-177		Mr. Stoutjesdijk	H8-065
	Mr. Husain	E-1023		Mr. Thahane	D-1130
	Mr. K.G. Ingram	I-8-115		Mr. Thalwitz	A-313
	Mr. Jaycox	B-1210		Mr. van der Meer	A-813
	Mr. S.S. Kapur	H7-021		Mr. Vergin	E-427
	Mr. Karaosmanoglu	A-613		Mr. Vogl	E-826
	Mr. Kaji	C-602		Mr. Wapenhans	H12-071
	Mr. Kirmani	A-607		Mr. Wiehen	C-1001
	Mr. Knox	A-907		Mr. D.J. Wood	D-730
	Mr. Kraske	A-1013		Mr. A.P. Williams	I-3-173
	Mrs. Kruger	I-8-100		Mr. Wyss	A-1042
	Mr. Lari	H7-065			
	Mr. Lee	D-1022			
	Mr. Lerdau	H4-049			
	Mr. Lynn	R-200			

FROM: Incoming Mail Unit, Room E-141, Extension 72023

To quote further from the Report : "In the industrialised world telecommunication is taken for granted as a key factor in economic, commercial and social activity and as a prime source of cultural enrichment. Moreover, in these countries telecommunications have come to be regarded as an engine of growth and a major source of employment and prosperity... The situation in the developing world is in stark contrast. In a majority of developing countries the telecommunications system is inadequate to sustain essential services. In large tracts of territory there is no system at all. Neither in the name of humanity nor on grounds of common interest is such a disparity acceptable."

The Commission's recommendations are aimed at the overriding objective that by the early part of the next century virtually the whole of mankind should be brought within easy reach of a telephone and, in due course, the other services telecommunications can provide. They call for decisions at the highest political level of governments, both of developing and industrialized countries, as well as of international agencies, financial institutions, telecommunications operators and equipment manufacturers across the world.

As an immediate step towards improving the existing arrangements for assisting developing countries, the Commission has recommended the establishment of a Centre for Telecommunications Development under the auspices of the ITU. The Centre, which would comprise three basic units, would have as one of its functions the provision of high calibre advice to developing countries on aspects of creating and operating an effective public network, on the alignment of telecommunications planning with national development plans and on the financing of investments, etc. It would complement ITU technical cooperation activities and the Voluntary Programme established by Resolution No. 19 of the ITU Plenipotentiary Conference. The Centre would be financed under novel and special funding arrangements with the participation of operating agencies and scientific and industrial organizations.

As regards the financing necessary for the expansion of telecommunications infrastructure in the developing world, the Commission is well aware of the problems this could raise in the present difficult world economic situation. It is for this reason that the recommendations of the Commission are addressed not only to governments of industrialized and developing countries and to investment authorities as well as development assistance agencies, but also to telecommunication operators and industry. In the view of the Commission, the latter have not all fully appreciated the potential for mutually beneficial relationships with developing countries and indeed the importance of the sector for the mutual prosperity of the industrialized and developing countries.

You will note from the Report that two of the recommendations directly mention the World Bank - Chapter 9, paragraph 26 concerning the inclusion of telecommunications in the proposal for multilateral guarantees against non-commercial risks, and paragraph 27 in relation to cross-default arrangements where projects are financed in part by IBRD loans.

Although I appreciate that IBRD policy may well have been reflected in many circumstances in the telecommunications sector only when acceptable financial and related concessionary finance and technical assistance were not available from other sources, I very much hope that the Bank will see the sector in the key role attributed to it by the Commission and will intervene actively in assuring the implementation of resolutions concerned with the financing of telecommunications infrastructures. Notwithstanding that a relatively limited proportion of its resources were allocated to this sector in recent years, the Bank could assure firm and appropriate leadership in ensuring that another objective of the Commission in respect of the importance of balanced development is effectively evaluated and assured in the national planning processes.

In due course I would be pleased to receive your comments on the Report. Meanwhile, I would appreciate your advice on the most practicable way in which we could have the Report considered and discussed within the framework of the Bank's policies and activities.

Yours sincerely,

R E Butler

R.E. BUTLER

Annexes: mentioned

February 5, 1985

Dear Mr. Walker:

Congratulations on becoming President of IIED. I and my colleagues in the World Bank have long maintained a fruitful dialogue with IIED and with your immediate predecessor and our former associate, William Clark. We wish you well in your new role and look forward to continuing our cooperative relationship with IIED under your leadership.

Sincerely,

(Signed) A. W. Clausen

Mr. Brian Walker
President
International Institute for Environment
and Development
1717 Massachusetts Avenue, N.W.
Suite 302
Washington, D. C. 20036

VJRiley:yrb

IIED

INTERNATIONAL INSTITUTE FOR ENVIRONMENT AND DEVELOPMENT

1717 Massachusetts Avenue, N.W. • Suite 302 • Washington, D.C. 20036 • (202) 462-0900 • Telex: 64414 IIEDWASH

PRESS RELEASE

Contact:
Cathryn Scoville, IIED/Washington, D.C.
(202) 462-0900
Richard Sandbrook, IIED/London
(01) 388-2117

For immediate release
December 1, 1984

NEW PRESIDENT APPOINTED TO LEAD IIED

Robert O. Anderson, Chairman of the Atlantic Richfield Company and Chairman of International Institute for Environment and Development's (IIED) Board of Directors, announced today that Brian Walker has been elected the first full-time President that IIED has had since the early 1970s. He will take up his post on January 21, 1985. Brian Walker succeeds William Clark, who will continue as the Chairman of the Institute's Council.

Mr. Walker is currently serving as Director of the Independent Commission on International Humanitarian Issues in Geneva, Switzerland. He has worked on development issues for many years, and between 1974 and 1983 was the Director General of OXFAM, the United Kingdom's largest development assistance charity, with an

-more-

European Office: 10 Percy Street, London W1P-ODR • Telephone: 01-580 7656 • Telex: 261681 EASCAN
Latin American Office: c/o CEUR • Corrientes 2835, 7° piso, 1193 Buenos Aires, Argentina • Telephone: (1)872355

annual budget of $30 million. Before then, he was the General Manager of the American National Distillers Corporation engineering plant in Northern Ireland. He was the founder and chairman of the New Ulster Movement which launched the Alliance Party in 1972; both were attempts to reconcile the opposing political and religious factions in that country. He has held many key non-governmental posts in Europe concerned with development and has been an active spokesman and author on subjects of direct concern to the Institute: protection of the environment, the basic needs of the very poor, and the efforts of the international community to address these priorities.

In his post at OXFAM, he established the world's first comprehensive vegetable gene bank, pioneered recycling in the United Kingdom as a way of raising charitable money, and was personally involved in hundreds of development projects overseas that dealt directly with the problems of deforestation, soil erosion, and the protection of watersheds, as well as the basic development needs of the poor.

In welcoming Brian Walker, Mr. Anderson said: "We are extremely privileged to have join us a committed man who is not only very experienced in management, and international leadership, but who also has a deep, first-hand experience in the issues that concern us. IIED will be greatly strengthened by this full-time appointment."

The International Institute for Environment and Development is a non-profit international organization that focuses global attention on the connections between economic development, the environment, and human needs. It provides policy advice, information, and technical help on environment and natural resource issues to leaders in government, international organizations, and the private sector. The Institute's international news and information service, Earthscan, reaches journalists and decision-makers, while the IIED technical assistance program provides scientific advice on major environment and natural resources problems in the field. Funding for the Institute's $2.5 million annual budget is provided by private and corporate foundations, international organizations and government donors. IIED has 501(c)3 tax-exempt status in the United States and is a registered charity in the United Kingdom.

Previous Presidents of IIED have been Jack Raymond, Barbara Ward and William Clark. Brian Walker is a Quaker, 53 years of age, and a British citizen.

# # #

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

R1

36

DATE: February 04, 1985

TO: A.W. Clausen

FROM: S. Shahid Husain, OPSVP

EXT: 72283

SUBJECT: The International Rice Research Institute (IRRI) and the Philippines

1. You inquired about an abstract of an Inter Press Service feature in January 24 edition of "Development News," alleging that International Rice Research Institute (IRRI) was responsible for recent shortages of rice in the Philippines. The report is attributed to a Dr. Onate supposed to have been on IRRI's staff. Dr. Burton Onate, a persistent critic of the Institute, identified in the article as IRRI's chief statistician, has not been on IRRI's staff since the mid-1960s. Recently retired from the Asian Development Bank (ADB), he has mounted what seems to be a one-man crusade against both IRRI and ADB and was directly behind a resolution (No. 221) to investigate IRRI, filed November 23, in the agriculture committee of the Batasang Pambansa (the Philippine Parliament).

2. Onate charges that IRRI is to blame for the Philippines' recent importation of 130,000 metric tons of rice and the country's low rice production generally. In fact, Philippine rice production grew at an average rate of 3.8% annually between 1965 and 1983, with average yields increasing from 1.3 tons per hectare to 2.4 t/ha over the same time--one of the fastest rates of increase of any Asian country. The spread of IRRI high yielding varieties to almost 80% of the rice growing area was associated with this increased yield. While these yields are low by Asian standards, due to a high proportion of rainfed and upland rice, the Philippines was actually exporting rice surpluses between the late 1970s and 1981. However, in response to declining domestic prices, the area planted to rice shrank from 3.6 million hectares to 3.2 million hectares in 1983. By 1983, the surpluses were exhausted, prices started rising and marginal imports were needed and are expected to continue in 1985. Acreage increased to 3.3 million hectares in 1984 and total production also rose. IRRI is financed by 24 countries, foundations and development banks in the framework of the CGIAR with major funding provided by the World Bank and USAID. A small but welcome proportion of that support comes from the private sector.

1 hectare = 2.2 acres

3. IRRI's director, Dr. M.S. Swaminathan, has advised the CGIAR Secretariat that ten members of the agriculture committee of the Batasang Pambansa came to IRRI November 27, for briefings and visits to the experimental plots and left very satisfied. IRRI has responded officially to Onate's points in a formal letter to the head of the agriculture committee. No new charges have been made since.

OVENT/SSHusain:mm

cc: Messrs. Karaosmanoglu (AENVP)
Vogl (IPADR)

bcc: Mr. Nyle Brady, USAID

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE February 15, 1985

TO Mr. A.W. Clausen
(through Mr. Frank Vogl, Acting VPE)

FROM Alex Shakow, Acting Director, IRDDR

EXTENSION 78812

SUBJECT Brief for Mr. Brian Walker's Visit on Tuesday, February 19, 1985

Mr. Brian Walker, the newly appointed President of the International Institute for Environment and Development (IIED), will be making a courtesy call on you at 4:30 p.m. on Tuesday, February 19. Walker succeeds William Clark, who will continue as the Chairman of the Institute's Council.

The IIED is an independent policy research organization that focuses global attention on the connection between economic development, the environment and human needs. Founded by Barbara Ward in 1971, the Board of Directors includes Robert McNamara and Abdlatif Al-Hamad (co-chairman). The IIED has expanded its structure from the UK to include offices in Washington, D.C. and Buenos Aires. From the Washington office, IIED maintains close contact with the environmental community in the United States. Through its publications (Earthscan) IIED has a worldwide network providing information to the press and the media on development and environmental issues. Recently, with the Swedish Red Cross, IIED produced a booklet on the interrelationship between environmental problems and long-term development in Africa, "Natural Disasters - Act of God or Act of Man?." IIED has recently put to the Bank a proposal for assistance in financing a popular follow-up booklet and a film. This is still under consideration.

The IIED has been a traditional recipient of grant contributions from the Bank (FY85 - $20,000). We see IIED as a key British institution promoting the development dialogue in the UK, US and internationally.

Mr. Walker worked on development issues for many years (1974-83) as Director General of OXFAM - the UK's largest private voluntary organization providing development assistance (annual budget of $30 million). Oxfam and the PVOs in the UK are becoming increasingly important as groups which could influence development thinking in the British government.

DRClarke:mgf

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Date: May 21, 1985

To: Mr. A. W. Clausen
(through Mr. Jose Botafogo G.)

From: Shahid Javed Burki

Ext.: 72407

Subject: Visit of Professor John P. Lewis - May 22, 1985 - 10:00 a.m.

1. Professor John P. Lewis will see you tomorrow in his capacity as Chairman of the Task Force on Concessional Flows; I plan to join you for this meeting. He is also seeing Messrs. Stern, Qureshi and Botafogo.

2. Lewis is professor of economics at the Woodrow Wilson School of International Affairs at Princeton University and has written numerous books and articles in the fields of international and development economics. Professor Lewis also serves as Director of Studies of the Overseas Development Council (ODC) in Washington. From 1979 to 1981, he was Chairman of the Development Assistance Committee (DAC) of the OECD, which is the position currently held by Mr. Poats. During the early 1960s he was USAID Director in India.

3. The Task Force is entering the final phase of its work which will involve two meetings, one in Arusha, Tanzania, May 29-31 and the other in Washington July 29-31. In between the two meetings, the Secretariat of the Task Force (International Relations Department) will draft the final report.

4. The principal topic of discussion at the Arusha meeting will be aid volume, including prospects for increasing supply and issues related to the allocation of a constrained supply. We will also address the main conclusions to be reached in the areas of aid mandate and aid effectiveness. In this connection you may wish to see the attached memorandum which lists the final conclusions we want the Task Force to endorse.

5. Mr. Lewis and I agree that the work of the Task Force should be concluded in time for the presentation of the final report to the Development Committee meeting in October. Mr. Qureshi would like us to use the Task Force to prepare the background for the mid-term review of IDA-7 and the launching of IDA-8 discussions.

Attachment

cc: Mr. Qureshi

RLAyres/SJBurki/eb

Date: May 13, 1985

To: Mr. Jose Botafogo G.

From: Shahid Javed Burki

Ext: 72407

Subject: Task Force on Concessional Flows: Some Possible Outcomes

1. The next meeting of the Task Force on Concessional Flows will be held in Arusha, Tanzania on May 29-31. According to present plans, the last meeting will be held in Washington on July 29-31. At the Arusha meeting, we expect to:

- o review the draft chapter on aid effectiveness (based on the Consultants' report that the Task Force discussed at Princeton in late February). The final version of the chapter will be discussed at the July meeting of the Task Force;

- o review the draft chapter on "mandate for aid" which has been prepared by us on the basis of two reports discussed earlier by the Task Force on the politics of aid in the US and in Europe. The final chapter will also be discussed at the July meeting;

- o review the draft chapter on the history of aid;

- o discuss the issues raised by us in a short note (attached) on the volume of aid.

The last item will be the principal focus of the Task Force's attention at the Arusha meeting. Based on this discussion, we will write a chapter on aid volume which will be discussed by the Task Force in its final meeting.

2. An important -- and not unexpected -- conclusion of the effectiveness chapter is that whereas aid has by and large been productive, there is a considerable ground for improvement. Effectiveness can be increased by both recipient policies (e.g., better programming of aid by establishing central departments, concentrating it on the sectors that have a high rate of return, better utilization of available technical assistance to meet the gaps in the domestic supply of skills) and by donors (e.g., better coordination; learning from their own mistakes and those of other

donors; recognition that fundamental changes in the structures of the recipient economies take a long time to materialize, etc.). While endorsing this conclusion, we hope the Task Force will also endorse the view that an improvement in the effective use of aid will not yield all the additional resources required by the recipients.

3. In the area of aid politics and mandate, we will want to emphasize that despite growing concern about the usefulness of aid there has not actually been a decline in the public's support for it for purposes of development. What has happened is that, in recent years, administrations in the United States and in some countries of Europe have failed to translate public support into public policy. Even the administrations that are now somewhat lukewarm about aid have been able to obtain large budgets for the countries they consider strategically important -- e.g. the US. In other words, mandate still exists for governments to increase aid flows. The work done by the Task Force on the question of aid effectiveness may persuade some countries to do that.

4. In the area of aid volume, we would like the Task Force to accept the following five propositions:

First, while the realization of a target such as 0.7% of the DAC GNP is no longer practical even in the year 2000 -- an increase of 8% per annum in real ODA flows in the next fifteen years would be required -- the present OECD's estimate of a 2% increase would yield inadequate flows for poor aid recipients.

Second, even within constrained ODA supplies, some relief can be provided for the poorest countries of Sub-Saharan Africa and Asia by a better allocation of bilateral assistance.

Third, for the management of constrained aid resources, it is important to recognize that there are now fairly important differences in economic characteristics between poor countries. (The developing country members of the Task Force have not been prepared to accept this conclusion, arguing that all of them suffer equally from the presence of a large proportion of very poor people in their population.

Fourth, the more creditworthy countries of Asia can afford some decline in the volume of ODA flows but (a) such declines should not be precipitous, and (b) some "compensation" should be provided by larger flows of less concessional finance.

Fifth, the availability of adequate flows for this group of countries would be contingent upon the ability to undertake "institutional engineering," (see para. 6 below) particularly within multilateral development banks.

These propositions are presented with the aid of some innovative arithmetic in the attached note on volume. In this note we have attempted to show that (a) it is not feasible to compensate adequately for declines in ODA flows by larger flows of commercial or IBRD-type of money, and (b) a very drastic hardening in the blend of resources for the creditworthy poor countries could seriously affect their growth prospects.

5. I have discussed these propositions with Messrs. Clausen and Qureshi; we are working closely with David Bock and his staff to ensure that our Task Force work feeds into that being undertaken for the mid-term review of IDA-7 and the preparations needed to be done for IDA-8 negotiations.

6. The Seoul meeting of the Development Committee could play an important role in building political support for changes that may be required in the nature of IDA and IBRD as instruments for providing resources to developing countries. This is what is meant by institutional engineering in paragraph 4 above.

Attachment

cc: Messrs. Qureshi
Wood
Bock
Vogl
Mistry

SJBurki:fvf

Myra

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

6-9-86

Derek Smith called on me in my office today - as a matter of courtesy. But he raised his disappointment at the way we had "handled" the 1984-85 discussions surrounding his possible association with IDA 8 negotiations.

Nothing more need be done on this matter! I "smoothed" the relationship as best as possible. He remains a friend.

P-1852

June 26, 1985

Roy:

I believe I would put particular emphasis on the fact that Moeen will himself take the role of IDA negotiator this time around and that his existing staff is ample to provide him with the support required.

I must admit that the budget freeze argument does not look as good as I thought it would and on second thought, I feel it is better to leave it out.

Martijn Paijmans

Attachment

July 26, 1985

Dear Derek:

Thank you for your letter of June 11 concerning your continuing interest in taking up a position with IDA. Over the past several weeks, we have been formulating our strategy for the negotiations of the IDA8 replenishment. A paper has been prepared to serve as a background for a mid-term review of IDA to be held at the Deputies' Meeting in Seoul, Korea, immediately preceding our Annual Meeting. It examines many of the issues that will likely arise in the negotiations and is intended to provide a framework for the Deputies' deliberations. Furthermore, Moeen has undertaken an initial set of consultations with the major donors to get a preliminary assessment of the various negotiating positions.

After careful consideration, we have concluded that it would be best not to have a special IDA staff position for this round of negotiations. Moeen's early consultations suggest that several contentious issues surrounding the last replenishment efforts will not be a factor this time around. Thus the prospects are good that the negotiations will encounter fewer snags on the way to an agreement satisfactory to all participants. Given this likelihood, we have decided that Moeen will himself take the role of IDA negotiator and that his existing staff will provide him with the required support.

We regret that these arrangements do not leave any room for a contribution I know you would like to make, Derek. For our part we all would have welcomed working with you on this vital effort. But I'm sure you understand the circumstances and constraints we had to consider in deciding to take the course we have chosen. We appreciate your interest in IDA and look forward to your continued support for its work.

Warm regards.

Sincerely,

(Signed) A. W. Clausen

Mr. Derek F. Smith
3, The Close
Montreal Park
Sevenoaks
Kent, TN13 2HE
England

bcc: Messrs. Moeen Qureshi & Martijn J.W.M. Paijmans

FORM NO. 89
(2-83)

THE WORLD BANK

ROUTING SLIP	Date June 20, 1985

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Qureshi	E-1241
cc: Mr. Paijmans	

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information	XX	Recommendation

Remarks

How do you recommend that we reply?

Roy Southworth

From

771

A. W. Clausen, Esq.,
World Bank,
1818 H Street NW,
Washington DC 20433
USA

3, The Close,
Montreal Park,
Sevenoaks,
Kent, TN13 2HE
England

11 June, 1985

Dear Tom,

In your letter of September 21, you welcomed the idea that I should take up a position with IDA and expressed the hope that, after an interval of one year from my relinquishing my position on the Board, something could be worked out to take me on board.

As a year has now elapsed since my departure from Washington, I am writing to reaffirm my interest and to ask what arrangements you now have in mind. I assume it is still the Bank's policy to take on people with appropriate experience from outside, as I notice that Philip Birnbaum, who was with US AID, was recently appointed to the staff.

With all best wishes to the Bank and yourself.

Yours sincerely,

Jack

(D. F. SMITH)

November 21, 1984

Dear Derek:

Many thanks for your letter of November 14 and for your words of encouragement concerning the public mood in the U.K. Translating public sympathy into political support for IDA and the action program for Sub-Saharan Africa remains a difficult task. Frankly, the prospects for supplemental funding for both IDA and Sub-Saharan Africa remain extremely difficult. Moeen is currently abroad, trying to drum up support for Africa funding. He rates the prospects at no better than 50-50 at the moment, even for such a notoriously noteworthy cause as Sub-Saharan Africa.

As to the post dealing with IDA, we are indeed sensitive to your desire to plan for the future. Moeen and I will get together in mid-December when he returns from his travels and assess his needs once again in light of the current mood in the donor community. After these discussions, Moeen will get in touch with you directly.

In the meantime, and a bit early, please accept our best wishes for a very Merry Christmas and happy New Year for you and your family.

Warm regards.

Sincerely,

A. W. Clausen

Mr. Derek F. Smith
3, The Close
Montreal Park
Sevenoaks
Kent, TN13, 2HE
England

bcc: Messrs. Qureshi and Paijmans

AWC:HH:sbp

Personal

A.W. Clausen, Esq
World Bank,
1818 H Street NW,
Washington DC 20433,
U.S.A.

3, The Close,
Montreal Park,
Sevenoaks,
Kent, TN13 2HE
England
14 November, 1984

Dear Tom,

Following your letter of September 21 which I acknowledged on October 13, Moeen has, as you had indicated, been in touch with me.

I understand that, while Moeen would be glad to have me in a post dealing with IDA within the financial complex, the Bank is not ready to enter into a commitment at the present time. As you will appreciate, I need to plan my own future. I would, therefore, welcome the opportunity to discuss the position with you in the light of what you outlined in your letter. Could we meet briefly when you are passing through this country? I would be happy to come to London at a time convenient to you.

There has recently been a great upsurge of public and parliamentary sympathy for aid in this country, following the Ethiopian famine. I hope it may be possible to translate

this info inter alia improved aid for Africa.

With all good wishes.

Yours sincerely,

Derek

(D.F. SMITH)

R1

A. W. Clausen, Esq
World Bank,
1818 H Street NW
Washington DC 20433
USA.

3, The Close,
Montreal Park,
Sevenoaks,
Kent, TN13 2HE
England
13 October, 1984

1124

Dear Tom,

Many thanks for your letter of September 21 which I was delighted to receive.

While I realise the difficulty of mobilising support for IDA in current circumstances, I should be pleased to rejoin the Bank and I look forward to the prospect of working with you again. Thus, my intention is to avoid entering into alternative commitments for the future pending news from Ween of what can be arranged with the Bank.

With all best wishes.

Yours sincerely,

Derek

(D. F. SMITH)

cc: Mr. Qureshi
Mr. Parjmans
10/23

Sonia! Hold for week of November 25. Tom wants to discuss this then.

Status as of Oct. 24 --
Moeen has spoken to me Smith once - indicated that yr restriction would not be waived - indicated would have to rethink situation (may have to make other arrangement in the interim) i.e. was not too encouraging - indicated he would call again Roy Oct. 24, 1984

September 21, 1984

Dear Derek:

Many thanks for your letter. I enjoyed the opportunity to catch up on what you have been doing since leaving Washington.

The government's decision to introduce an early retirement scheme has certainly opened up a whole list of new opportunities for you. You must be excited by the prospect of accepting new challenges and please feel free to use my name as a reference.

Moeen has mentioned to me his conversation with you about a possible position with IDA. It is an excellent idea, Derek, and I have urged Moeen to explore it further with you. There is, however, one problem of which I am sure you are aware. We have consistently followed the policy that there must be an interval of one year between the time that an Executive Director or an Alternate Director relinquishes his position on the Board and the time that he takes up a position on the staff of the Bank. But after that interval expires, it is my sincere hope that we can work something out to bring you on board.

If you do join us, let me say that you would definitely have your work cut out for you. As you know IDA faces a difficult political environment at a time when the challenges to the poorest developing countries are immense. But like you, I'm convinced that IDA has a major contribution to make in helping to stimulate sustained economic growth in the recipient countries.

Thanks again for writing and please accept my best wishes for your future plans. It is my sincere hope they will include working with us.

Warm regards.

Sincerely,

A. W. Clausen

Mr. Derek F. Smith
3, The Close,
Montreal Park,
Sevenoaks
Kent, TN13 2HE
England

bcc: Messrs. Qureshi, Paijmans

VRS:sbp

Personal

925

A.W. Clausen, Esq.
World Bank,
1818 H Street NW,
Washington DC 20433, USA.

3, The Close,
Montreal Park,
Sevenoaks,
Kent, TN13 2HE
England.
August 24, 1984

Dear Tom,

When I left Washington, you kindly invited me to keep in touch and I am writing to do that.

The British Government recently introduced an early retirement scheme for a limited number of senior posts and I have secured a place in it. Accordingly, I shall retire from the government service on September 18. At the age of 55, I still have several years of useful working life, and my severance from the British Government service will give me added flexibility in seeking other employment.

I would much appreciate it if I could give your name as one from whom interested employers could seek a reference. Would you be agreeable to my doing this?

Moeen had lunch with Anne and me when he was passing through London last Saturday. It was good to renew contact with the Bank. When talking about my own future,

he asked whether I would be interested in working for IDA if an offer to do so were made to me. I indicated that I would indeed be interested. He did not, however, intimate what your views would be. Naturally, if it were your wish that I should serve with IDA, that would influence me towards doing so. For my part, during my 4½ years contact with IDA, when I learnt much about its operations, I became convinced that it can, and should, make the major contribution towards the development of the poorest countries. I also believe that countries such as yours and mine benefit in the process, although it is difficult to get people to understand this.

Anne and I have enjoyed spending time with our family and seeing England during an unusually good summer.

I hope that all continues to go well with you and that the programme of travelling, etc, has not been too gruelling.

With kind regards to Peggy and yourself.

Yours sincerely,

Derek

(DEREK F. SMITH)

RECEIVED
1984 SEP -4 PM 3: 34
OFFICE OF THE PRESIDENT

THE WORLD BANK
Washington, D. C. 20433
U. S. A.

A. W. CLAUSEN
President

March 22, 1985

Dear Guido,

Thank you for the letter which you and Klaus Huber have sent on the subject of World Bank cofinancing and rescheduling. I appreciate your taking time to let me know of your concerns in this area and the support you offer to our efforts to reach understandings with borrowers and commercial banks on the treatment of cofinancing instruments in future reschedulings.

First let me assure you that we fully appreciate that the market appeal of the new cofinancing instruments rests to an important extent on the perception that World Bank participation in the loan will reduce the credit risks associated with lending to developing countries. It is this perception that has enabled us to successfully launch the new instruments and to bring about significant benefits for our borrowers in the market, particularly in the form of longer maturities. These benefits to borrowers, as well as the fact that all lenders benefit by improved debt profiles, by lending directed to productive uses and by the continued participation of banks that might not otherwise lend internationally, establish a basis for preferential treatment in future reschedulings. Although, as you mention, not all banks are yet persuaded of this case we feel that the best way of making progress is by continuing to bring key banks into the program as participants. While the number of operations involving the new instruments is less than I would like to see, we do have grounds to expect this broader participation, including major U.S. banks, as the program proceeds. At the same time I am sure that you appreciate that our Board and our shareholders would not permit us to warrant that we can remove all credit risks from a cofinanced loan and since the scope and depth of future crises cannot be foreseen there has to be some scope for flexibility in the response.

In the meantime, I very much appreciate U.B.S. support in our efforts to underpin the premises on which our cofinancing program rests and I hope it will not be long before we see one of our borrowers awarding a mandate in your direction.

Warm regards,

Sincerely,

Mr. G. Hanselmann
Executive Vice President
Union Bank of Switzerland
Bahnhofstrasse 45
Zurich, Switzerland

FORM NO. 89
(2-83)

THE WORLD BANK

ROUTING SLIP	Date March 15, 1985

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Stern	E-1227

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

Would you please prepare a reply for Mr. Clausen's signature by March 22?

Roy Southworth

From

R1

304

UNION BANK OF SWITZERLAND

SCHWEIZERISCHE BANKGESELLSCHAFT
UNION DE BANQUES SUISSES
UNIONE DI BANCHE SVIZZERE

General Management

Mr. A.W. Clausen
President
THE WORLD BANK
1818 H Street, N.W.

Washington, D.C. 20433
U.S.A.

Zurich, March 7, 1985.

Dear Mr. Clausen:

Re: World Bank Co-Financing and Rescheduling

We would like to refer to the discussions, which took place at your initiative during the 1983 Annual Meeting and subsequent discussions we have had with World Bank Officials regarding the above subject.

It is with growing concern that we have noticed the inclusion on several occasions (e.g. Philippines, Yugoslavia) of "old style" cofinancing loans in external debt reschedulings. We do recognize the differencies between "old style" and "new style" World Bank cofinancing instruments and appreciate that the former never included a formal undertaking by any party to keep the instruments out of reschedulings. But we are of the firm opinion that such inclusion has a significant negative psychological effect on the cofinancing effort as a whole. We understand that the World Bank has taken steps to prevent such inclusion, but apparently could not prevail against the views taken by the Bank Steering Committees of the respective reschedulings.

We are equally concerned about the negative attitude, which one of the leading U.S. commercial banks is taking towards a possible special treatment of "new style" IBRD cofinancing instruments, in case of future reschedulings. We at UBS strongly believe that the said new instruments, usually granted at more favourable conditions, will only mobilize additional resources for the LDCs, if they can be kept outside the rescheduling process. Therefore, we would certainly support any new effort made by the World Bank to reach an understanding with borrowers and commercial banks alike on the treatment of cofinancing instruments in future reschedulings.

Mr. A.W. Clausen, President, THE WORLD BANK, Washington,

With best regards,

Sincerely Yours,
Union Bank of Switzerland

G. Hanselmann
Executive
Vice President

K. Huber
Senior
Vice President

Ladislaus von Hoffmann - President, The Hochschild Group

Paul Hirsch - formerly President, now head of the
Trust which owns the Hochschild Group

visited you on May 6. Bert van der Meer and
Guy Pfeffermann joined meeting.

COLUMBIAN ENTERPRISES INC.
425 PARK AVENUE
NEW YORK, NEW YORK 10022

PHONE: (212) 888-5800

CABLE: COLUMPRISE NEWYORK
TELEX: 239746

544

April 19, 1985

4-30-85 for my meeting

Mr. A.W. Clausen
President
The World Bank
1818 H Street N.W.
Washington, D.C. 20433

Dear Tom:

at 3 p.m.

Thank you for giving me some of your time on May 6, 1985. I look forward to seeing you again.

One of the matters I would like to mention to you is the following: as you may know, since I left IFC I have been associated with the Hochschild Group which, for many decades, was owned by a Trust established by the founder of the Group who died in the mid-1960's. In 1984, this Trust was restructured and has turned itself into a charitable foundation. It has, by the standards of private foundations, sizeable assets. The Trustees of the foundation are my former associates in the Hochschild Group, headed by Mr. Paul Hirsch who for many years was the President of the Group, until I succeeded him in 1981.

Most of the Trustees are of European origin, but have lived since the 1930'S in South America. They would like to support, through the foundation, activities which would benefit the people in South America.

Mr. Hirsch has spoken to me from time to time about several ideas which he would like to pursue such as support of scientific, cultural and social projects specifically designed to cope with some of the acute problems in South America.

It occurred to me that there must be a great deal of expertise in IBRD among the people who have been working on such issues either at a country level, but more probably among the people in the Project Policy Department. I believe that it might be interesting both for the people at the Bank and for Mr. Hirsch to have an exchange of views on these matters from which perhaps some concrete suggestions will arise for projects which the foundation may be able to support and finance.

I also thought that you might be interested to meet Mr. Hirsch and to hear first-hand from him what he has in mind. Mr. Hirsch

has a great deal of experience in South America and is most knowledgeable about the state of affairs there. I am sure that you would find, quite apart from these specific issues, a discussion with him interesting.

I heard yesterday from Mr. Hirsch that he will be in the U.S. early in May, and if you see no inconvenience, I would like to bring him along when I come to see you. Perhaps you could have your secretary call my office (212-~~888-5814~~) and ask for Mrs. Bolte to let us know whether this would be agreeable.

303-9500

P've said this is OK 5-1 OK

Warm regards

Sincerely,

L. Von Hoffmann

LVH/bb

COLUMBIAN ENTERPRISES INC.
425 PARK AVENUE
NEW YORK, NEW YORK 10022

PHONE: (212) 888-5800

CABLE: COLUMPRISE NEWYORK
TELEX: 239746

544

April 19, 1985

4-30-85 for my meeting

Mr. A.W. Clausen
President
The World Bank
1818 H Street N.W.
Washington, D.C. 20433

Dear Tom:

at 3pm

Thank you for giving me some of your time on May 6, 1985. I look forward to seeing you again.

One of the matters I would like to mention to you is the following: as you may know, since I left IFC I have been associated with the Hochschild Group which, for many decades, was owned by a Trust established by the founder of the Group who died in the mid-1960's. In 1984, this Trust was restructured and has turned itself into a charitable foundation. It has, by the standards of private foundations, sizeable assets. The Trustees of the foundation are my former associates in the Hochschild Group, headed by Mr. Paul Hirsch who for many years was the President of the Group, until I succeeded him in 1981.

Most of the Trustees are of European origin, but have lived since the 1930'S in South America. They would like to support, through the foundation, activities which would benefit the people in South America.

Mr. Hirsch has spoken to me from time to time about several ideas which he would like to pursue such as support of scientific, cultural and social projects specifically designed to cope with some of the acute problems in South America.

It occurred to me that there must be a great deal of expertise in IBRD among the people who have been working on such issues either at a country level, but more probably among the people in the Project Policy Department. I believe that it might be interesting both for the people at the Bank and for Mr. Hirsch to have an exchange of views on these matters from which perhaps some concrete suggestions will arise for projects which the foundation may be able to support and finance.

I also thought that you might be interested to meet Mr. Hirsch and to hear first-hand from him what he has in mind. Mr. Hirsch

FORM NO. 89
(2-83)

THE WORLD BANK

ROUTING SLIP

Date: April 29

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Knox	A 907

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

Who would you suggest should sit in on this meeting on May 6 at 3 p.m.?

Bert van de Meer
Guy Pfeffermann

Roy Southworth

From

has a great deal of experience in South America and is most knowledgeable about the state of affairs there. I am sure that you would find, quite apart from these specific issues, a discussion with him interesting.

I heard yesterday from Mr. Hirsch that he will be in the U.S. early in May, and if you see no inconvenience, I would like to bring him along when I come to see you. Perhaps you could have your secretary call my office (212-888-5814) and ask for Mrs. Bolte to let us know whether this would be agreeable.

I've said this is OK 5-1 OK

303-9500

Warm regards

Sincerely,

L. Von Hoffmann

LVH/bb