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World bank: The IDA-replenishment

Intereconomics

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In fact the Mediterranean area has always been of particular importance for the countries of the European Economic Community. For this reason it is especially difficult in this region to draw clear lines between historic links, political designs, security and trade interests and development policy. The Middle East crisis and the Soviet Union's growing naval presence in the Mediterranean add emphasis to the EEC's abundant interest in the stability of this region. In view of the increasing demand for fuels Mediterranean policy also has a close bearing on EEC power policy.

At the meeting of the Council of Ministers however it was seen once more how difficult it is to develop a global concept for the Mediterranean area. The states in question are structurally similar in that they are largely agricultural exporters. But it is by no means easy to find a common denominator for their political ideas and systems and their various interests. kw.

Europe

Before the Summit

On the agenda of the European summit conference to be held in Paris this month are matters in urgent need of a political impetus if there is to be no let-up in the efforts for an intensification of integration after the enlargement of the EEC. Among them are a common monetary and economic policy as a complement to the Common Market, the relations with the USA, Japan and the Third World, and the future role and competencies of the EEC Commission and the European Parliament. Pompidou however would like monetary policy alone to be the central subject at the conference. His interest is concentrated on two items in particular: a higher official gold price in Europe and the setting-up of a European Monetary Fund.

France has always rated monetary integration higher than economic integration. If Pompidou believes a European Fund to be a useful first step towards a joint central bank system, the other heads of government should not reject it from the outset. They should however give heed to two points: In the first place, they should urge parallel developments in prices and incomes with a view to greater stability, for without them their countries would either become an inflation community or develop in such divergent directions that in the end neither the Fund nor the Community would be able to function. Secondly, Europe should exercise restraint in the matter of raising the price of gold. Otherwise the reform of the international monetary system would be rendered even more difficult and relations with the

USA needlessly subjected to additional strains. It would be illogical to assign to gold a greater role in the monetary system by raising its price when all the arguments put forward for a reform of the monetary system suggest that gold should be demoted.

If these proposals are carried through in unison, a modest step forward will have been taken towards integration. But to justify remarks about a "historic" meeting, progress will have to be made in particular with the political problems of integration. ogm.

World Bank

The IDA-Replenishment

The World Bank's business year 1971/72 was one of the most successful ones. Not only was the Bank able to increase its credit volume from US-\$ 2.6 bn last year to US-\$ 3.1 bn, thus improving the chances that President McNamara's envisaged aim to double the Bank's turnover during the period 1969-1973 vis-à-vis 1964-1968 will be reached. The World Bank Group also decided upon some very important changes in policy. First steps towards a comprehensive institutional reform were undertaken by the decision to reorganise the Bank's activities on a geographic basis. The latest results obtained after the new set-up was introduced indicate that the Bank has improved its general working efficiency.

Another important improvement must be seen in the fact that nearly the whole increase of the total credit volume was channelled through IDA, thus enabling this organisation to expand its activities considerably from US-\$ 585 mn to 1 bn. This development must be welcomed in view of the indebtedness of almost all developing countries, which according to the World Bank rose by 18 p.c. in 1970, almost twice the average rate of recent years, and which shows no sign of decreasing in the future. If economic development in the least developed nations is to be accelerated during the next years, more IDA-credits will have to be made available.

Under these conditions it is very unfortunate that IDA's future work is still uncertain, since Congress was not willing to approve the US-contribution of US-\$ 960 mn. To the third replenishment of IDA's resources for the period 1971-1974. The reaction of the developing countries on the eve of the IMF and World Bank conference at the end of September has been one of hostility and bitterness towards this US-attitude. It is to be hoped that the arguments brought forward for development aid through the World Bank and IDA during the meeting in Washington will move US-Congress to act quickly on this matter. crm.