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Africa: A new economic community

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COMMENTS

World Bank

New Credit Facilities

The central problem discussed by the third meeting of the Joint Development Committee of IMF and World Bank in Paris were proposals to make available to the countries of the Third World additional credit finance. Its deliberations ended with fundamental agreement to set up a new credit facility to the tune of \$ 1 bn of the World Bank — the so-called "third window". The conditions of this credit facility are midway between those of IDA (International Development Agency) and of the World Bank (a 4.5 p.c. rate of interest, redemption after 25–30 years, and 5–7 years without amortization payments).

This new credit facility of the World Bank must be seen as a needed supplement to the existing international machinery for mobilizing credit, mitigating the steepness of the differential between the conditions of drawing upon credits granted by the World Bank and by its subsidiary IDA. Through the "third window", it will mainly be possible to help such countries of the Third World which are neither the poorest nor the richest in national income. All the members of the Development Committee seem to have agreed on this.

However, it was not possible to agree upon finance for subsidising the rate of interest, which would need a new fund of US \$ 225 mn. Especially the most important potential creditors of the World Bank, including the US, the Federal Republic of Germany, Japan, France, and Sweden, displayed great reserve and refused to commit themselves. They suggested other methods of increasing credit liquidity e.g. through the IMF selling gold. Evidently, their own short-term budgetary and balance-of-payments difficulties claim priority. The gap between golden resolutions and acting in the real world, between the repeated proclamations of helpfulness of industrialized countries and their deeds, could again not be bridged during the Paris meeting. kü.

EC Research

Less Money from Bonn?

As the coffers of Bonn are bare, the Federal Cabinet makes big efforts to cut expenditure. Recent considerations have been given to a careful review of the payments made to the EC. Especially subsidies to Community research appear to offer opportunities for cutting down expenses; in particular, financial support to research centres in the Netherlands and Italy is looked askance at. There have been reports that Bonn intends to

stop its contributions to their research programmes relating to the neutralization of radioactive wastes and to the development of new alternative energies.

Admittedly, the savings in question are relatively small. However — and also the Federal Foreign Minister, Hans-Dietrich Genscher, suspects this — steps of this kind might lead to strong doubts in the Federal Republic's European policy. It has been for this reason that Genscher insisted on discussing all these questions and their potential side-effects again, and more thoroughly, in September.

It should, however, be advisable to see also the positive side of such discussions about the EC's research contribution. If the penury of Bonn's finances leads the Federal Government to insisting on a thorough review of individual research projects, perhaps including the production of proofs for their achievements and efficiency, this might be a fortunate new beginning for drawing up a balance sheet of all Community research, by aims and by use of the means made available, because — as in the national field — it is almost certain that there are research projects that are highly endowed with financial appropriations, for which relatively few results are delivered. However, whether it makes sense to select for pruning just the research programmes aiming at the development of new alternative energies and the neutralization of radioactive wastes is open to strong doubt. It will be absolutely necessary to individualize strongly about costs and effects and to examine priorities carefully. iwe.

Africa

A New Economic Community

Individual heads of African states have repeatedly proclaimed their dreams of an economic community encompassing the French- and English-speaking countries of Western and Central Africa. At the end of May, heads of governments of 15 countries situated in this region have signed a declaration of intent to form an Economic Community of West African States (ECOWAS). However, the instrument of setting up ECOWAS can be ratified only after at least seven countries have signed it. If and when this comes to pass, it is intended to do nothing which could harm existing economic communities, since the French-speaking African nations have already created tightly-knit trade blocs.

The documented intention of setting up ECOWAS has led the nations of West Africa an important step forward towards building a unified economic

community, though a number of problems are still unresolved. No rules have yet been agreed upon for gradually dismantling tariffs, nor were guidelines hammered out for a joint trading policy. And it will be even more difficult to regulate joint and binding prescriptions for the free movement of persons and capital and for equal rights of residence. Experts are of the opinion that all such decisions will be strongly influenced by Nigeria, for two thirds of all the inhabitants of the ECOWAS region reside there, and economic prospects of Nigerian development are more favourable than elsewhere because of proven Nigerian oilfields. Though the Nigerians have declared that they do not intend to lord it over the other members of ECOWAS, tensions between Nigeria and the other member states may very well evolve in the future. In this case, ECOWAS's actual date of birth might be delayed even more. mk.

Rhodesia

White Man, What Now?

The independence of Mozambique will surely have a strong effect on the political and economic development of Southern Africa. Especially the two remaining white minority regimes will have to adapt themselves to the new political reality. It is uncertain to what extent strong economic interdependence will enforce fundamental changes radiating from one part of Southern Africa to all its neighbours. Rhodesia's foreign trade, for example, depends up to more than 80 p.c. on the ports of Mozambique. Because these ports have been almost completely paralysed since the Portuguese revolution, Rhodesia's foreign trade has dropped steeply, since also in Durban, the South African harbour, Rhodesian export goods are piling up. The power shift has suddenly stopped the boom. The Rhodesian balance-of-payments deficit mounted unexpectedly high in 1974; its exports income in foreign currencies continues to decline; many production plants have been forced to close down, and unemployment affects increasingly also white employees. Rhodesia is justifiably worried lest the Frelimo administration close Mozambique's frontiers, which might lead to economic strangulation of Rhodesia. But such measures would also cause great harm to Black-African countries, notably Zambia and Malawi, which are dependent on Rhodesia's rail and road network, and which depend, as does Mozambique, on income earned in the markets of "White Africa" for goods and labour.

What frightens Rhodesia even more than the possible closure of its frontiers is the potential loss of South African support. Its old partner has been withdrawing his support progressively, because

South Africa tries to practise détente for a strategy of its own survival, in which Rhodesia has now only a nuisance value. Should Vorster intend seriously to force concessions upon Rhodesia, this would give the UN sanctions their first chance of success. It is a decisive question for how long Rhodesia can withstand such economic and political pressure from the outside. Whilst South Africa is a highly-developed and wealthy country, which could, at a pinch, survive without foreign relations, Rhodesia as a completely landlocked state, with Black-African neighbours on almost all its frontiers, is a highly vulnerable entity. zz.

Federal Republic of Germany

Good-Will Journey

The recent African tour of the Federal Foreign Minister, Hans-Dietrich Genscher, led him to Liberia, Ghana, Zambia, and Malawi, where he pursued aims of world as well as trading and development policy. A major part in his talks was played by problems of raw material and energy, preparing the UN's special September conference.

Commodity problems were the main subject of the talks especially with the Liberian and Zambian governments. Liberia supplies the Federal Republic with as much as 20 p.c. of all its iron ore imports, and Zambia supplies 15 p.c. of all German copper imports. There is no doubt that the two African states agree with the Federal Republic's view that topical problems of commodity and energy policies can be resolved only by co-operation, not by confrontation.

Their good bilateral relations with Bonn are sufficient proof for the extent and the strength of their willingness to cooperate. However, whether Genscher's appeal to show more and better co-operation also within international organisations and to give up the formation of mutually hostile blocs has found the desired response may well be doubted.

The talks held in Ghana and Malawi were devoted to a smaller measure to commodity questions; their main purpose was general trade and development. Bonn is the third most important trading partner of Ghana, and in Malawi, German development aid has staged several successful projects. On the other hand, the Federal Republic also maintains close trading relations with the neighbouring states of Rhodesia and even more so with South Africa. The Foreign Minister has used the opportunity to emphasize the high German interest in trading with Black Africa. At the same time, it is probable that he has been able to dispel some fears and misunderstandings on the sides of the Black-African states. mk.