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ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4549S

Series: Contacts - Member Countries files

Sub-Fonds: Records of President Robert S. McNamara

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Digitized: <June 28, 2013>

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THE WORLD BANK
Washington, D.C.

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The World Bank
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Richardson Papers

*Contacts
European Economic Community
(1970-1982)*

THE WASHINGTON GROUP
Archives



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Contacts with member countries: European Economic Community - Correspondence 01

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EUROPEAN ECON. COMM.

EUROPEAN COMMISSION

The Representatives of the Governments of the Member States of the European Community have, by common agreement, appointed the following as members of the Commission of the European Communities for the period from January 6, 1977 to January 5, 1981.

R.T. Hon.

Roy Harris JENKINS (U.K.)
President

Claude CHEYSSON (France)
Commissioner

Francois-Xavier ORTOLI (France)
Vice President

Guido BRUNNER (Germany)
Commissioner

Wilhelm HAFERKAMP (Germany)
Vice President - *EXTERNAL RELATIONS*

Raymond VOUEL (Luxemburg)
Commissioner

Finn Olav GUNDELACH (Denmark)
Vice President

Antonio GIOLITTI (Italy)
Commissioner

Lorenzo NATALI (Italy)
Vice President

Richard BURKE (Ireland)
Commissioner

Henk VREDELING (Netherlands)
Vice President

Etienne DAVIGNON (Belgium)
Commissioner

Christopher Samuel TUGENDHAT (U.K.)
Commissioner

Summaries on the members of the Commission follow, in alphabetical order.


EUROPEAN ECONOMIC COMMUNITY

- 5/9-11/69
(Bilderberg) Francois Fontaine, Director of the Office of the European Communities in Paris
1. 2/17/70 Henri Rochereau, Commissioner, Commission of the European Communities
Jean Chaperon, Chief of Cabinet of Commissioner
Heinrich Hendus, Director General for Development Aid
Jacques Ferrandi, Director, European Development Fund
Jean Durieux, Director, Development Policy and Studies
 2. 12/6/71 Ambassador Aldo Mazio, Head of Delegation in Washington
 3. 5/17/72 Jacques Ferrandi, Director, European Development Fund
Karl-Heinz G. Dreschsler, Director, Department for Loans to the Associated Countries of the European Investment Bank
 4. 8/8/73 Claude Cheysson, Commissioner in charge of development aid
Mr. Heidenreich, Chief Adviser to the EEC Representative in Washington
Mr. Buchbinder, Staff, European Development Fund
 - 10/30/73 Messrs. ^{RONALD} Grierson and Lewis, Technical Group (Courtesy call)
 5. 1/31/74 Ambassador Jens Otto Krag
Mr. Lang, Economic Counsellor
 6. 4/29/74 Mr. Simonet, Vice President, EEC
Mr. Heidenreich, Chief Adviser to the EEC Representative in Washington
 - 7/31/74 Mr. Claude Cheysson, Commissioner, Development Aid
 7. 9/27/74 Mr. Otto Krag, Washington Representative; host at dinner for
Mr. Wilhelm Haferkamp, VP for Financial Affairs
 - 12/16/74 Mr. Otto Krag - dinner at his home
 - 3/20/75 Sicco Leandert Mansholt, Vice President, EEC - Lunch (alone)
 - 4/25-27/75 Henri Simonet, Vice President (Energy), EEC
(Bilderberg -
Cesme, Turkey)
 8. 5/15/75 Henri Simonet, Vice President (Energy)
 9. 7/13/75 Claude Cheysson, Commissioner, Development Aid -- at dinner hosted by
Jens Otto Krag, Ambassador
 - 9/28-29/75 Claude Cheysson, Commissioner, Development Aid
(Tidewater,
Germany)
 - 1/22/76 Maurice Foley, Dep DirGen, Directorate for Dev & Coop
Robert Cohen

10. 2/3/76 Fernand Spaak, Ambassador (dinner at the Gerard Smiths)
2/11/76 Fernand Spaak, Ambassador - (Dinner at the Spaaks)
11. 7/7/76 Claude Cheysson, Commissioner for France (Development Aid)
12. 4/5/77 Roy Jenkins, President
(Brussels) Claude Cheysson, Commissioner for Development Aid
Wilhelm Haferkamp, Vice President for External Relations (Germany)
4/18/77 Roy Jenkins, President (Dinner at Blair House)
13. 5/16/78 Claus Meyer, Director General of Development
14. 5/30/79 Maurice Foley
Mr. Pirzio-Birolli
15. 2/6/80 European Parliamentarians:
Walther Hofer (Swiss)
Jakob Aano (Norway)
Baeza Marton (Portuguese)
Claude Dejardin (Belgian)
Jan Mangelschots (Belgian)
Frederik Porthéine (Dutch)
Theoharis Rendis (Greek)
John van Waterschoot (Belgian)
16. 3/28/80 Claude Cheysson, Commissioner for France
Mr. Pierini
Mr. Burchbonder
Mr. Pirzio-Birolli
7/7/80 Mr. Roland de Kergorlay, Ambassador to the U. S.
11/14/80 Mr. Roy Jenkins, President of the EEC
(Brussels)
11/15/80 Mr. Claude Cheysson, Commissioner
(Brussels)
17. 9/28/80 Mr. Claude Cheysson, Commissioner
Annual Mr. Pirzio-Birolli
Meeting Mr. Pierini



EUROPEAN COMMUNITIES LIAISON OFFICE
Suite 707
2100 M Street N.W.
Washington, D.C. 20037
Tel. (202) 296-5145


ID/JS

S C H E D U L E

VISIT OF COMMISSIONER HENRI ROCHEREAU
TO WASHINGTON, D.C.

(February 16 - 18, 1970)

MEMBERS OF THE PARTY :

Mr. Henri ROCHEREAU, Commissioner, Commission of the European Communities
Mr. Heinrich HENDUS, Director General for Development Aid
Mr. Jean CHAPPERON, Chief of Cabinet of Commissioner Rochereau
Mr. Jacques FERRANDI, Director, European Development Fund
Mr. Jean DURIEUX, Director, Development Policy and Studies

Miss Willy GROOT, interpreter

COMMUNICATIONS SECTION
70 FEB 16 AM 7:55

RECEIVED

VISIT COMMISSIONER ROCHEREAU

Page 1

February 10, 1970

SUNDAY, FEBRUARY 15

12:00 noon	Arrival in New York City from Brussels via Air France # 15	Hotel reservations at the St. Regis, Fifth Avenue & 55th St.; Tel. (212) PL 3-4500
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MONDAY, FEBRUARY 16

(Schedule being arranged by Mr. Franco CIARNELLI, European
Communities Information Service, New York City)

8:30 p.m.	Departure for Washington, D.C. via American Airlines #277	From LaGuardia Airport
9:33 p.m.	Arrival Washington National Airport and travel by limousine to hotel; arriving at hotel approximately 10:15 p.m.	Mr. HEIDENREICH or Mr. DUBOIS will meet party at airport and accompany to hotel : Hay Adams Hotel, 16th and H Streets N.W., Tel. (202) ME 8-2260

TUESDAY, FEBRUARY 17

Morning	Mr. ROCHEREAU will be free	
10:30 a.m.	MM. HENDUS, CHAPPERON (?), FERRANDI, DURIEUX - Meeting with MM. Roger CHAUFOURNIER, Director, Western Africa Department, and Michael L. LEJEUNE, Director, Eastern Africa Department, accompanied by their collaborators	Mr. HEIDENREICH or Mr. DUBOIS will accompany to meeting; Room C-1156, I.B.R.D., 1818 H Street N.W. Mr. Martijn PAIJMANS of the Western Africa Department will meet party at G Street entrance.
12:30 p.m.	Lunch for Mr. ROCHEREAU and party, hosted by Sir Denis RICKETT, Vice President, I.B.R.D.	Executive Dining Room, I.B.R.D. Mr. ROCHEREAU will be met at the G Street entrance.
2:30 p.m.	Mr. ROCHEREAU and party will meet with Mr. Munir P. BENJENK, Director, Europe, Middle East and North Africa Department, I.B.R.D.	Room A-712 Tel. (202) DU 1-4261

VISIT COMMISSIONER ROCHEREAU

Page 2

February 10, 1970

TUESDAY, FEBRUARY 17 - continued

- 3:00 - 4:30 p.m. Further meetings with MM. CHAUFOURNIER and LEJEUNE and their collaborators, chaired by Mr. ROCHEREAU accompanied by party Room C-1156, I.B.R.D.
Tel. DU 1-4503
- 4:30 p.m. I.B.R.D. officials will retire to enable Mr. ROCHEREAU and party to have internal discussions before their meeting with Mr. McNAMARA Room C-1156, I.B.R.D.
- 5:00 p.m. Mr. ROCHEREAU and party will meet with Mr. Robert S. McNAMARA, President, I.B.R.D. Room A-1230, I.B.R.D.
Tel. DU 1-2001
- (Limousine should wait from 5:45 p.m. at the entrance at 1818 - H Street; following meeting with Mr. McNAMARA, the party will return to the Hay Adams Hotel.)
- 7:45 p.m. Limousine will drive Mr. ROCHEREAU and party to the Belgian Embassy 2300 Foxhall Road N.W.
Tel. (202) 338-2320
- 8:00 p.m. Informal stag dinner in behalf of Mr. ROCHEREAU, given by H.E. Walter LORIDAN, Ambassador of Belgium
- ± 11:00 p.m. Return by limousine to Hay Adams

WEDNESDAY, FEBRUARY 18

- 10:15 a.m. MM. ROCHEREAU, HENDUS, and CHAPPERON (?) will leave hotel by limousine to the Belgian Embassy 3330 Garfield Street N.W.
Tel. (202) 333-6900
- 10:30 a.m. Briefing chaired by Belgian Ambassador for Member States' representatives

(In the meantime, MM. FERRANDI and DURIEUX, accompanied by Mr. DUBOIS, will go by taxi to the State Department, C Street entrance, for meeting at 10:15 a.m. with Mr. George KENNY, Officer-in Charge of European Integration Affairs, Bureau of European Affairs, Room 6428, U.S. Department of State, Tel. (202) 632-1708)

- 1:00 p.m. Luncheon given by Mr. ROCHEREAU for staff of the Liaison Office and Press & Information Service (Tentative)
- Afternoon Free

February 10, 1970

WEDNESDAY, FEBRUARY 18 - continued

3:45 p.m.

MM. ROCHEREAU and CHAPPERON
(and interpreter) will leave
by limousine to Dulles Inter-
national Airport

5:30 p.m.

Leave for Ottawa, Ontario, Canada
via Eastern # 170

7:52 p.m.

Arrive at Ottawa Airport and
proceed to Chateau Laurier
Hotel, Major's Hill Park,
Ottawa; Tel. (613) 232-6411

Will be met by
Mr. MONTGOMERY, Blue Line
Taxi Ltd., with limousine
Tel. (613) 235-1241

- - - - -

MM. HENDUS, FERRANDI and DURIEUX will leave Washington for Brussels at \pm 7:00 p.m.
(exact time and flight to be communicated).

- - - - -

Visit by a Delegation from the European Communities

(i) Members of the Delegation:

Messrs. H. Rochereau, Member of the Commission of the European Communities
J. Chapperon, Director of the Cabinet of Mr. Rochereau
H. Hendus, Director General for Development Aid
J. Ferrandi, Director, European Development Fund
J. Durieux, Director, Development Studies and Policies
K. Heidenreich, EEC Representative in Washington
Miss W. Groot, Interpreter

(ii) Time schedule:

10:30 a.m.	Messrs. Chauffournier, Lejeune, Room D1156 discussions on the possible scope of coordination and on questions related to some specific countries and projects (Mr. Rochereau will not attend).
12:30 p.m.	Luncheon ^{1/} hosted by Sir Denis Rickett, participants for the Bank: Messrs. Adler, Benjenk, Chadenet, Chauffournier, Lejeune, Hoffman, Sachetti, Christoffersen, Paijmans. Dining Room B/C
2:30 p.m.	Mr. Benjenk, Room A712, discussions on countries of the Europe, Middle East and North Africa Department.
3:30 p.m.	Messrs. Chauffournier and Lejeune, Room D1156 to elaborate on morning discussions and to discuss specific projects (Gabon Railway Project).
4:30 p.m.	Delegation's internal discussions; Room D1156.
5:00 p.m.	Meeting with Mr. McNamara, Room A1230.

^{1/} As lunch may be prolonged beyond 2:00 p.m., some of the attendants may wish to consider sending their deputies to the Senior Staff Meeting.

Biography

HENRI ROCHEREAU

Member, Common Market Commission

Henri Rochereau was appointed a member of the Commission of the European Economic Community (Common Market) on January 10, 1962, succeeding Robert Lemaigen. He is commissioner in charge of overseas development, and is a member of the Commission working groups on social affairs, agriculture, and transport.

Born in Chantonnay (Vendee) in 1908, Mr. Rochereau, who holds a doctorate in law, became Senator for la Vendee in 1946 and was re-elected in 1948, 1952, 1958 and 1959. He has served the French Government in a variety of posts including that of Chairman of the Economic Affairs Committee of the Council of the Republic (1955-58) and, in the spring of 1959, Chairman of the Senate Committee for Economic Affairs and Planning. In May 1958, he was a delegate to the European Parliament, and from May 1959 to August 1961, Mr. Rochereau was France's Minister of Agriculture.

He assumed his duties as a Commission member on February 9, 1962.

#

HEINRICH HENDUS

Director-General
for
Aid to Development



Born in 1911. Served in legal capacities in Germany. Since the war, lawyer in Fulda until 1952. Since 1952, served in the Federal German Foreign Office. Since January 1956 Consul General in Algiers.

Appointed Director-General for Overseas Development in the EEC Commission on September 1, 1960. Appointed Director-General for Aid to Development in the Commission of the European Communities on April 9, 1968.

CURRICULUM VITAE

Jacques Ferrandi

Born on January 15, 1914 at Conca (Corsica)

Holder of a Diploma from the Ecole Nationale de la France d'Outre-Mer (National School for French Overseas Territories), M.A. in Law, Jacques Ferrandi assumed his functions in West Africa as head of districts from 1940 to 1943. He was assigned to the Ministry for French Overseas Territories in 1946 and appointed head of the Office of International Affairs and took part in the preparation and launching of the first Development Plan of member countries of the French Overseas Territories (FIDES). French Delegate to the Organisation for European Economic Co-operation (Overseas Territories Committee) from 1949 to 1952. Head of the French-Dutch study Mission in Africa (1952). Technical adviser of the Minister for French Overseas Territories in 1952. Appointed General Manager of Economic Services and Planning for French West Africa in 1953. He held this position until 1958, when Mr. Robert Lemaigen, member of the European Commission asked him to become his principal private Secretary. Director of Development Studies and Programs of the European Economic Community Commission in January 1962, Appointed Director of the European Development Fund in May 1963.

Officer of the Legion of Honor
Croix de Guerre
Officer of the Royal Order of the Netherlands
Commander of the Etoile Noire du Bénin
Commander of the Ordre National de la République de Côte d'Ivoire
Commander of the Ordre National de la République du Sénégal
Commander of the Ordre du mérite Tchadien
etc.

TRANSLATION

RASSA:jfe
January 23, 1970

Jean Chapperon

Born on April 26, 1921 at Ivry-sur-Seine

Bachelor in Law (University of Paris)

Diploma of the Ecole Nationale de la France d'Outre-Mer, Paris
(National School for French Overseas Territories)

Nationality: French

1942-1953: Administrator of French Overseas Territories in French Guinea and in the Ministry for French Overseas Territories, in Paris (Economic Affairs, Planning, Office of the Minister).

1953-1958: Principal private Secretary to the Secretary-General of French West Africa in Dakar.

1958-1960: Principal private Secretary to the High Commissioner of the French Republic in Cameroon.

1960-1962: Managing Director of the mining companies COMILOG and CMUF in Gabon and Congo-Brazzaville.

Since 1962: Principal private secretary to Mr. Rochereau, Member of the EEC Commission and, since 1967, member of the European Communities Commission, in Brussels.

October 1968

Curriculum Vitae of Jean DURIEUX

Nationality : Belgian

Date of Birth : September 25, 1924

Degree : Science of Applied Economics

Mr. DURIEUX began his career with the Belgian Administration in the area of Foreign Commerce and performed the functions of Chief of Cabinet to the Belgian Minister for Economic Affairs. He later held this position in the Cabinet of the Minister for Economic and Financial Affairs for the Congo and Rwanda-Burundi.

He entered into service with the Commission of the European Communities in 1958. After having held the position of Chief of the Division charged with studies of the various fields of industry within the Directorate for Industry, Mr. DURIEUX was named Director for Studies in the General Directorate for Overseas Territories in 1964. In 1968 his Division became that of Development Policies and Studies, while the General Directorate became that of Development Assistance.

* * * * *

OFFICE MEMORANDUM

TO: Memorandum for Record

DATE: February 25, 1970

FROM: Roger Chaufournier *RC*SUBJECT: Meeting of E.E.C. Delegation with Mr. McNamara

1. Mr. Rochereau, Commissioner, European Economic Community, visited Mr. McNamara on Tuesday, February 17, 1970. He was accompanied by his Chef de Cabinet, Mr. Chapperon, Mr. Hendus, Director-General for Development Aid, Mr. Ferrandi, Director, European Development Fund, Mr. Durieux, Director for Development Programming and Studies; Miss de Girot, the delegation interpreter, translated.
2. Mr. Rochereau explained that the second Yaounde convention had just been renewed making about one billion US dollars available to the European Development Fund (FED) and to the European Development Bank (EIB). The convention includes a number of commercial agreements between the Community and the associated countries. The aid policy of the Community is therefore a policy of trade and aid, within the framework of institutions where African and European countries discuss their problems jointly.
3. Mr. Rochereau said he was aware of the expansion of Bank activities in Africa and he welcomed this development. This expansion, however, called for closer coordination between the Bank and FED in order to avoid duplication and possible competition. Our common objective should be greater effectiveness of aid. Mr. Rochereau said he and his associates had met all day with Bank officials. He concluded from these discussions that coordination was necessary, it was possible and periodic meetings should take place to implement it.
4. Mr. McNamara asked Mr. Chaufournier to summarize the results of the discussions. After reviewing the principal problems of coordination and their consequences, possible avenues of coordination had been explored. The discussion with FED officials had shown that there were institutional constraints which limited the extent to which coordination could be formalized. Some simple but specific steps could be taken to insure that for the great majority of African countries where three main lenders, French bilateral aid, FED and the Bank Group meet almost all the external capital requirements, effective coordination would be implemented. FED was already coordinating closely with FAC. For some countries like Congo K a more elaborate form of coordination might be necessary. Coordination would start with the discussion of economic reports to attempt to agree on diagnosis of country needs and development strategies. This would be followed by discussion of country programs as they are elaborated by each institution. One essential aspect of coordination would be that exchanges of view take place before each institution becomes committed. To implement coordination Bank staff would continue to travel through Brussels from time to time on their way to Africa as they have done in the past. In addition a systematic program of visits would be prepared in accordance with the pace of preparation of our respective country programs. It was also tentatively agreed that twice a year, meetings would take place at the Director level.

President has seen

February 25, 1970

5. Mr. McNamara said he welcomed Mr. Rochereau's initiative. He agreed that our objective should be increased effectiveness of aid. He had decided to expand Bank Group activities in Africa because Africa needed additional aid, as much as all the lenders could give. The problem was to use this aid effectively. He asked Mr. Rochereau how FED approached the elaboration of its lending programs. Mr. Rochereau said Mr. Ferrandi was organizing a number of missions in Africa. At the same time Mr. Durieux was carrying out economic studies on each recipient country. Once the studies and the mission are completed FED will review all the requests received in the light of what they think should be the development policy of the country and a choice will then be made. Mr. Rochereau estimated that this process would be completed by the summer of 1970.
6. Mr. McNamara then asked what were the criteria for the selection of projects. For instance had FED set a minimum rate of return below which projects were considered unacceptable? There was no clear answer to the question. A figure of 7 percent was mentioned; but it was also pointed out that the bulk of FED resources were made available as grants and as loans with very low interest rates; that the rate of return was calculated in many different ways depending on the nature of the project: for some projects it was impossible to calculate the rate of return; indirect benefits had to be taken into account. In any case FED tried to find projects with the highest rate of return.
7. Mr. McNamara said there was perhaps a possible division of activities between the Bank and FED. FED could continue to finance projects in the social field which the Bank was not doing; FED could continue to finance some projects with lower rates of return than would be possible for the Bank; as far as projects which both of us could finance coordination would be essential.
8. Mr. Rochereau replied that such a division of labor was a possibility but one could also envisage the possibility of complementary financing, i.e. for industrial projects where the Bank Group could finance the industrial plant and FED the social environment or/and the complementary infrastructure. One could therefore envisage a division of activities by sector or envisage joint financing of a given activity. There are various possibilities depending on the country and this is why coordination should be flexible.
9. Mr. Knapp then commented that two ingredients were essential to successful coordination: the spirit in which it was approached and the precise procedures to be adopted.
10. Mr. Rochereau replied that he had brought the spirit to Washington and had found it here in his discussions. He agreed that specific procedures had to be established. First if Mr. McNamara agreed, he would like to exchange letters setting forth the principles of coordination and the principal procedures. Coordination should cover the diagnosis and economic evaluation of countries and their development programs, in order to better assess the economic priority of the requests for assistance. There also must be a coordination of projects. If there is adequate coordination at the level of projects and programs then it will be possible in this context to define the respective roles of the Bank Group and FED. Coordination should take place "at all levels, in all areas and at any time".

February 25, 1970

11. One opportunity would soon arise to coordinate closely between the Bank and FED. Mr. Rochereau mentioned the request addressed by the Government of Gabon to both the Bank and FED, to finance the Owendo-Boue railroad. Mr. Rochereau had visited Gabon recently and he had been impressed by the apparent merits of the projects. FED was in principle ready to consider the Gabonese request favorably. The project would require joint financing from several lenders and he hoped that Mr. McNamara would give his personal attention to this project. The President of Gabon had asked him to convey this message. Besides the economic importance to the Gabonese economy it had become an important political issue for President Bongo. FED, like the Bank, still had to study the project and a few questions still had to be answered but Mr. Rochereau wanted Mr. McNamara to know that FED was favorably inclined towards the project. He hoped that the Bank staff could meet with FED staff once this review was completed.

12. Mr. McNamara said the Bank was still reviewing the available studies to determine whether the project was economically justified. He said we had not yet reached a conclusion but that we would be ready to discuss our findings with the Gabonese representatives towards the end of March. He said the Bank would be very happy to meet with FED and review our findings with them.

Mr. J. Burke Knapp

October 22, 1971

Roger Chaufourmier

European Development Fund and the European Investment Bank -Background memorandum

General

1. The European Development Fund (FED), headed by Mr. Ferrandi (French) (biography attached) is one of several directorates in the Department "Aid for Development" headed by Director General Krohn (German). This latter Department is one of some twenty Departments of the Executive Commission of the European Economic Community. The European Investment Bank (EIB) which collaborates with FED and which will be present at our meetings is a totally independent institution of the European Economic Community and has its own articles of agreement. (A separate section on the EIB is included at the end of this paper.)

2. The African states associated with the EEC benefit from both preferential trade arrangements with the EEC and special financial resources which have been provided and replenished within the framework of three association agreements as follows:

- i) The first agreement covered the period 1958 to 1963 and provided \$500 million;
- ii) the second association agreement (Yaounde I) covered the period 1964 to 1969 and provided \$730 million;
- iii) the most recent agreement, 1970-1975 (Yaounde II) provides \$918 million, of which \$748 million is for grants and \$170 million for loans including funds provided by EIB.

The six member states contribute to these funds as follows: The Federal Republic of Germany and France, 33.16 percent each, Italy, 15.62 percent, Belgium and the Netherlands, 8.89 percent each and Luxembourg, 0.27 percent.

3. Though the distribution of its funds over the Associated countries is not rigorously predetermined, the FED, due to its political motivation, has to respect certain rules of equity and cannot discriminate against any Associated country on the grounds that no projects are available or feasible for financing. As a side effect, approval of projects can be given at a very early stage, subsequently difficulties in preparing the project for execution often do occur and have a delaying effect on implementation.

Financing Arrangements and Trade

4. FED may provide its financing on the following three bases:

- i) Grants provided by the fund itself;
- ii) loans made on special terms, which have a maximum maturity of 40 years with a grace period which may extend to 10 years,

and concessionary interest rates (1 - 3 percent), and which may be utilized to provide equity for business ventures; and

- iii) loans made by the European Investment Bank at market rates which may benefit from the remission of interest payments through an interest subsidy.

Both the EIB and special loans may be made directly to the beneficiary or through the intermediary of Associated states or a development agency which acts as financial intermediary.

5. FED has the possibility of financing several different types of operations:

- i) Investments in productive facilities and economic and social infrastructure;
- ii) technical assistance either of a general nature or linked to actual investments;
- iii) subsidies and other means of promoting the sale of products exported by the Associated states;
- iv) assistance to the Associated states in order to help them meet special and extraordinary situations having serious effects on their economic potential due to unforeseeable events such as floods, famine and sudden drops in world prices; and
- v) short-term advances to assist in stabilizing commodity markets.

6. Under the first Association, the FED financed projects virtually irrespective of their rates of return. During the second Association, some tightening up of procedures could be observed, but there is still severe criticism of FED's operations by several European governments and this has led to their insistence that sounder standards be applied to the examination of projects and that coordination with other donors should be stepped up. Consequently, the FED which finances normally one hundred per cent of a project, often including preinvestment activities and always supervision of construction, says that it intends to adopt different standards for the financing of projects in Africa.

7. Prospects beyond 1975: The future of the EEC fund beyond 1975 is difficult to predict. Among the European governments which, through the Council of Ministers (the Community's decision-making body), control the EEC administration, budget and policies, there remains a deep split between those who see the Association with Africa as a transitional solution (Germany, the Netherlands, to some extent Italy) and those (mainly France) who feel that it should offer a permanent framework for European-African cooperation.

8. Trade: In the field of trade relations, the free trade area established between the EEC and the Associated countries gave the latter a considerable advantage, often labelled as discriminatory, over the non-associated developing countries. The experience in this field is, however, that the Associated states have not been able to improve notably on their export earnings from the EEC area; in certain cases, their relative position as compared to other developing countries has even deteriorated. The worldwide preferential trade agreements already agreed upon by the EEC in the Kennedy Round negotiations and additional EEC outer tariff reductions will not work out in favor of the African Associated states who are very critical of the EEC policy in this field.

9. On July 1 of this year, the EEC introduced for an initial period of six months generalized preferences for all the developing countries. Certain products such as textiles will still be subject to quotas, others will be under surveillance to assure that harm does not result to the EEC producers and other products will be subject to tariff quotas. This new system of preference is expected to substantially reduce the trade advantages previously enjoyed by the Associated African States.

Coordination between Bank/IDA and FED

10. Prior to 1970, our cooperation with FED was ad hoc, for example, whenever an operation involving joint financing was envisaged, and took place only at the working level. The two institutions have jointly financed certain projects, such as two roads projects (Mauritania and Somalia in 1964). At present, a project which we are appraising jointly with FED is the Michelin Rubber Project in the Ivory Coast. However, in general, discussions have tended to be held in order to assure that our interest did not overlap and, on occasion, informal agreements have been reached to limit our interest in given countries to certain sectors or certain regions.

11. You will recall that in February of 1970 Mr. Rochereau, Vice-President of the Executive Commission, visited Mr. McNamara and certain agreements were reached on more extensive and regular coordination. The new framework for cooperation was to have three aspects:

- i) general meetings would be organized twice each year, at a senior level, to provide for a periodic exchange of views on respective operations of the two institutions and the Associated African and Malagasy states;
- ii) specific meetings would be held from time to time at a lower level, as needed, on particular countries or projects;
- iii) we agreed to undertake on a regular basis to have our missions to the Associated African and Malagasy states stop in Brussels, from time to time, to exchange views; it should be noted that we also send our economic reports to Brussels and, on request, make available other documents such as appraisal reports.

12. Following the agreements reached between Mr. McNamara and Mr. Rochereau, two semi-annual meetings have been held: one in November 1970 in Brussels and one in Washington in June of this year. The tendency evident in both meetings was to discuss a fairly extensive list of projects in which both parties had an interest. In general, policy questions were raised principally in the framework of particular projects. We feel that these meetings have been useful.

Note: FED consented to join the consultative group for the Democratic Republic of Congo (Congo-Kinshasa). However, FED made it clear that their willingness to participate in the consultative group should not be considered a precedent for other such groups concerning the Associated states nor did they wish it to jeopardize existing arrangements for coordination between the Bank and FED. In this regard, it might be recalled that Mr. Rochereau emphasized in our meetings that coordination between FED and the Bank should be pragmatic and should not be institutionalized because FED had political commitments toward the Associated states.

13. Continued coordination is important in view of FED's tendency to move away from projects in the social sector and toward the area of more directly productive projects in which Bank/IDA would be interested. Increased competition between Bank/IDA and FED could lead to inefficiencies in the utilization of our staff. Both the Bank and FED have an interest in avoiding excessive competition.

Non-Project Issues

14. There have been several developments which are worth noting and which might arise in your discussions:

- i) FED informed us in our meeting in February 1970 that they would be undertaking missions to each member country to define FED programs for the period 1970-75. While we have received, from time to time, documents of a preliminary nature showing country programs, no effective exchange of views has taken place on these specific programs. It was our position that we should have an exchange of views before these programs were finalized;
- ii) Highway Design Study: We have recently solicited FED's cooperation in the financing of a Highway Design Study in the Ivory Coast. While there was some reluctance on the part of FED to cooperate since they were not convinced of the urgent need for the study, they have more recently indicated their willingness to participate and meetings are to be held in Brussels between FED and those responsible in the Bank for the study on November 3 and 4;
- iii) Agriculture Policies: One of the areas in which our policies tended most to diverge from those of FED is that of agriculture where FED has tended to view projects from the angle of their social impact and, of course, has provided subsidies to farmers as well as grant assistance to the Governments which pass the funds on to the farmers at little or no interest charges. Our own policies, of course, require repayment at substantial market rates of interest and we have opposed the continuation of subsidies. We are planning to initiate a dialogue with FED on these matters.
- iv) Joint Financing: Because of administrative, procedural and political constraints, it was agreed at our meetings in February 1970, that joint financing would be practicable only in exceptional cases. Separate financing of parallel, integrated operations was to be preferred.

- v) Association of United Kingdom with the Common Market: The position of the EEC toward the African States in the event of England's joining the Common Market is at present that the Community is prepared to offer the same status to the African members of the Commonwealth as it does to the Associated African and Malagasy states if they so request. However, they will have the choice between negotiated Association Agreement's with reciprocal obligations in commercial matters or of ordinary commercial treaties. However, the Community will not accept any arrangement which would weaken the status of the Associated African and Malagasy states. For practical reasons the accession of the African members of the Commonwealth to the agreements linking the EEC and the Associated African and Malagasy states should, however, be postponed until 1975. At that time, negotiations with members of the Commonwealth could be conducted in parallel with the negotiations for the renewal of the Yaounde Convention;
- vi) Community Development Policy for the Future: The EEC recently issued a development study concerning the establishment of a coherent development policy for the Community for the future. Apparently, the Community is concerned with harmonizing its various external commercial and financial policies and extending them to other under-developed countries, other than those in association with the Community. Furthermore, the Community is concerned about the lack of coordination in the policies of its member states. The policy suggestions contained in the paper cover such diverse matters as harmonization of national legislation to promote foreign investment, Community adherence to certain commodity agreements, Community formulation of development policy and most important greater financial resources for the Community to extend assistance to additional countries especially those in the Mediterranean basin.

European Investment Bank

15. Although the European Investment Bank is a part of the European Communities, and has the same membership, the Bank has an independent legal personality and its own administration and staff. The President is Mr. Yves LePortz (French) (biography attached) and Mr. Karl Heinz Drechsler is Director of the Department for Loans to the Associated countries. The Bank's activities, which were originally limited to the territories of its member countries, have progressively extended to countries associated with the European Communities. In 1964, started operations in the associated African states, Malagasy and overseas territories and departments. At mid-year 1970, its resources totalled approximately \$1.6 billion, 3 times the 1964 level. At the end of 1969, it had \$1.58 billion outstanding in loans, with Italy accounting for 50 percent of this total, France for 16 percent, whereas some 21 percent went to Greece and thirteen African countries, Turkey received 11 percent.

16. EIB subscribed capital amounts to \$1 billion equivalent (France \$300 million, Germany \$300 million, Italy \$240 million, Belgium \$86.5 million, Netherlands \$71.5 million, Luxembourg \$2 million). An original feature of the Bank's charter is that a maximum amount, legally 250 percent of the subscribed capital, has been fixed for outstanding loans or guarantees granted by the Bank.

The Bank may borrow in the international capital markets after obtaining the consent of the country in whose market it borrows.

17. Procurement: Though the written rules are not quite as specific, they have been interpreted by the Bank as meaning that equality must be observed among the EEC countries but that participation by countries outside the Community is not excluded. It is the policy of the EIB to ask its borrowers to have recourse, whenever possible, to international competitive bidding. Participation in bidding for procurement financed by EIB regular loans is open not only to all suppliers established in the member countries but also to those in the Associated countries and territories in which the proceeds of the loans are utilized.

18. Lending: The Bank is strictly a banking institution. It does not make grants or provide technical assistance directly. The EIB may make or guarantee loans for projects to governments and to public and private enterprises to the extent that funds from other sources are not available to the borrowers on reasonable terms. Loans and guarantees may only be granted to self-liquidating projects and in the case of other projects if interest and amortization payments are guaranteed by the state in which the project is located. Interest rates on loans depend on general market conditions and have increased continuously since the Bank started its operations in 1958. In July 1970 the rate for lending between two to twelve years was put at 8.50 percent and that for lending between twelve and twenty years at 8.75 percent. These rates apply to all loans made by the Bank out of its own resources, but in cases where a reduction in the interest rate appears desirable, one of the member states, or a third party (for instance, FED) may grant a subsidy towards paying interest charges.

19. IBRD/IDA coordinates its activities in Africa with the EIB as much as possible. This takes the form of an exchange of information on planned operations. In certain cases the coordination leads to close consultation with respect to financing of specific projects (for instance, Ivory Coast SODEPAM). In one case, it has led to joint financing of an operation (Congo-Brazzaville potash project, IBRD financing of \$30 million, EIB financing of \$9 million).

20. The following items, on which you are already informed, may come up during your meetings at EIB:

- i) Congo Potash - you are aware of Mr. Broches' discussions with EIB;
- ii) CINAO - EIB has been party to the consideration of this project and is awaiting the conclusions of our study. While this study is expected to be ready momentarily, it is not available as yet and we have agreed with the Togolese and Ivorians that there should be a thorough discussion of our conclusions with their experts. When the report is ready it will be communicated to EIB and ADB;
- iii) Cabon Railway Project - EIB has been approached for eventual participation in this project and we have kept them closely informed of developments.

CURRICULUM VITAE

Jacques FERRANDI

né le 15.1.1914 à Conca (Corse)

Breveté de l'Ecole Nationale de la France d'Outre-Mer, Licencié en Droit, Jacques FERRANDI a pris ses fonctions en Afrique Occidentale où il a exercé, de 1940 à 1943, des commandements territoriaux. Affecté au Ministère de la France d'Outre-Mer en 1946, il est nommé Chef du Bureau des Affaires Internationales et participe à l'élaboration et au lancement du premier Plan de Développement des Pays d'Outre-Mer français (FIDES). Délégué de la France à l'Organisation Européenne de Coopération Economique (Comité des Territoires d'Outre-Mer) de 1949 à 1952. Chef de la Mission d'études franco-hollandaise en Afrique (1952). Conseiller technique du Ministre de la France d'Outre-Mer en 1952, il est nommé en 1953 Directeur Général des Services Economiques et du Plan de l'Afrique Occidentale Française. Il occupe ce poste jusqu'en 1958, date à laquelle M. Robert LEMAIGNEN, Membre de la Commission Européenne, lui demande de prendre la direction de son Cabinet. Directeur des Etudes et Programmes de Développement de la Commission de la Communauté Economique Européenne en janvier 1962. En mai 1963, il est nommé Directeur du Fonds Européen de Développement.

Officier de la Légion d'Honneur

Croix de Guerre

Officier de l'Ordre Royal des Pays-Bas

Commandeur de l'Etoile Noire du Bénin

Commandeur de l'Ordre National de la République de Côte d'Ivoire

Commandeur de l'Ordre National de la République du Sénégal

Commandeur de l'Ordre du Mérite Tchadien

etc.etc.

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CURRICULUM VITAE

de M. Yves LE PORTZ

- Inspecteur des Finances (1943)
- Directeur adjoint du Cabinet du Président du Conseil (1948)
- Conseiller au Cabinet du Ministre des Finances (1949)
- Sous-Directeur, puis Chef de service au Ministère des Finances et des Affaires économiques (1949)
- Directeur du Cabinet du Secrétaire d'Etat aux Finances et aux Affaires économiques (1951)
- Directeur du Cabinet du Ministre de la Reconstruction et du Logement (1955)
- Délégué de la France au Conseil économique et social des Nations-Unies (1957)
- Directeur général des Finances de l'Algérie (1958-1962)
- Administrateur général de la Caisse d'Equipement pour le Développement de l'Algérie (1959-1962)
- Vice-Président de la Banque Européenne d'Investissement (1962-1970)

M. LE PORTZ est âgé de 50 ans.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: December 6, 1971

FROM: Roger Chaufournier *R*SUBJECT: Visit of Mr. Aldo Mazio, Head of Delegation of the European Communities Commission

Mr. Demuth told me that Mr. Aldo Mazio, Head of Delegation of the Commission of European Communities, will be calling on you at 5:10 this afternoon. Mr. Mazio was appointed to his present post in July when it was decided to strengthen the Bureau of Liaison of the Commission in Washington and up-grade it to a Delegation. Mr. Mazio took up his post in October and I understand the object of his visit is a courtesy call.

Mr. Aldo Mazio is an Italian citizen, 64 years old, who studied in the U.S. in the 30's and speaks fluent English. He is well read and a cultured man, but not necessarily an expert in financial and economic matters. Immediately prior to his appointment, he was the Italian Ambassador to the Belgian Court in Brussels, following earlier ambassadorial posts in the Hague, Tunisia and Ireland. He was Consul General in New York in 1958. Although he has the personal rank of Ambassador, he would rank between Commissioner and Director General in terms of the Commission's hierarchy.

As possible topics for discussion, I would suggest you express appreciation for the efforts made by the Commission and the European Development Fund in particular, under the guidance of Messrs. Krohn and Ferrandi in working closely with us, and also for the assistance given to our staff by the Washington Office which was formerly under the direction of Mr. Heidenreich who now serves as Mr. Mazio's deputy. You may also wish to broach the subject of U.K. entry into the Common Market with respect to the future aid orientation of the Community.

I am attaching two memoranda as background, although I don't think you need to refer to them for this visit; a memorandum recording a visit of Mr. Rochereau, former Commissioner, and briefing for Mr. Knapp's recent visit to Brussels and Luxemburg.

As overall background on the Community's organization, and the relations with developing countries, you need only glance at the next page.

atts.

RChaufournier:sm

President has seen

I. The European Economic Community (EEC)1. Organization

The European Council of Ministers, composed of ministers of the six member countries, is the main decision making body in the Community. The EEC Commission is the Community's Executive and is responsible for working out and implementing the Council's decisions. Mr. Rochereau, a member of this Commission, is particularly responsible for overseeing development aid questions; director of his cabinet is Mr. Chapperon.

The European executive Commission consists of an administration of twenty specialized departments. The department of "Aid for development", headed by Director General Hendus, has several directorates among which "the European Development Fund" under Mr. Ferrandi, and "Development policies and studies" under Mr. Durieux; there is little crossfertilization between these two directorates. Effective and strong control over the European Development Fund is in the hands of the staff but there are strong conflicts of personalities within the EEC organization and some changes in command involving some of the personalities you will meet may take place in the near future.

The European Investment Bank (EIB) is a totally independent institution with its own Articles of Agreement. Its Board of Governors consists of the six ministers of finance of the EEC member states, who, in fact, also have a seat on the EEC Council of Ministers.

2. Relations with Developing Countries

The EEC maintains special relations with a great number of developing countries:

- (a) either through association treaties of which several types exist:
 - (i) association with a view to future full membership (Turkey, Greece);
 - (ii) association with some former and present dependencies of the EEC member states, containing financial aid and preferential treatment of exports;*
 - (iii) association also as a form of foreign aid but not containing financial aid, only some degree of preferential treatment for exports (for example, East Africa, Nigeria, Morocco, Tunisia); or
- (b) through specific trade agreements, existing or under discussion (for example, India, Pakistan, Indonesia, Argentina).

* Associated states in Africa are: Burundi, Cameroon, Central African Republic, Chad, Congo (B), Congo (K), Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta.

Deniau

Mr. Derrivan has
now replaced
Mr. Rochereau as
commissioner.

Mr. Kohn has
now replaced Mr.
Hendus.

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: December 7, 1971

FROM: Roger Chaufournier *R*SUBJECT: Ambassador Aldo Mazio's call on Mr. McNamara

Ambassador Aldo Mazio, Head of Delegation of the European Community's Commission, paid a courtesy call on Mr. McNamara. Ambassador Mazio was recently appointed Head of the Delegation when the former Bureau of Liaison of the Commission was up-graded to the status of Delegation. Ambassador Mazio expressed the Commission's satisfaction for the efforts made by the Bank Group to improve cooperation with the aid agencies of the Community. Mr. McNamara said he was pleased to hear this because he had personally attached great importance to strengthening the cooperation with the Community's agencies, particularly FED in view of its very important role in development assistance and of our own efforts to expand our aid in the same areas. Mr. McNamara said that the Bank Group would maintain close contact with the Delegation in Washington and would like to have, at the appropriate time, the Ambassador's views on the implications of U.K. entry into the Common Market for the future scope and direction of the aid activities of the Community. The Ambassador thanked Mr. McNamara and promised the continued cooperation of his office.

RChaufournier:sm

President has seen



OFFICE MEMORANDUM

9 of 3
TO: Mr. Robert S. McNamara

DATE: May 16, 1972

FROM: Roger Chaufournier *R*SUBJECT: Your meeting with Mr. Ferrandi of FED and Mr. Drechsler of EIB [Wed. May 17, 12:15]

1. Messrs. Ferrandi and Drechsler are in the Bank to participate in the semi-annual coordination meetings which were instituted at the time of your meeting in February of 1970 with Mr. Rochereau, Vice President of the Executive Commission of the European Communities. (You met with Mr. Ferrandi at that time.) Prior to 1970, our cooperation with FED-EIB was strictly ad hoc. The new framework for cooperation has three aspects:

- i) general meetings are organized twice each year, at a senior level, to provide for a periodic exchange of views on respective operations of the two institutions;
- ii) specific meetings are held from time to time at a lower level, as needed, on particular countries or projects;
- iii) our missions to the Associated African and Malagasy states stop in Brussels from time to time, to exchange views.

2. Following the agreements reached between yourself and Mr. Rochereau, three semi-annual meetings have been held alternately in Brussels and Washington. The tendency evident in both meetings is to discuss a fairly extensive list of projects and subjects in which both parties have an interest.

FED and EIB

3. The European Development Fund (FED) headed by Mr. Ferrandi (French) (biography attached) is one of several directorates in the Department "Aid for Development". This latter Department is one of some twenty Departments of the Executive Commission of the European Economic Community. The European Investment Bank (EIB) which collaborates with FED and which will be present at our meetings is a totally independent institution of the European Economic Community and has its own articles of agreement. Mr. Karl Heinz Drechsler (German) (biography attached) is Director of the Department for Loans to the Associated Countries and was the German Alternate Executive Director of the Bank from 1956 to 1958. The Bank's activities which were originally limited to the territories of the EEC countries, were progressively extended to countries associated with the European Communities although their volume of lending is still quite limited.

The current meetings

4. In these meetings, we will discuss our respective approaches to lending in such areas as livestock, rural development, small industries and tourism. Other general topics include river blindness, interest rate structures in Western Africa and project supervision. The agenda also

includes two projects, the Ivory Coast Rubber Plantation and the Port of Mogadiscio, which are being co-financed by the FED and the Bank and a third project, the Gabon railway which we also expect to co-finance depending on the outcome of our appraisal. An intensive round of meetings at the divisional level is being held in order to exchange information on our activities in the French-speaking countries in Western and Eastern Africa, and with the EIB in certain of the North African countries as well.

5. During the luncheon for the delegation, which is being hosted by Mr. Knapp, we expect to discuss the general evolution of EEC policy toward development assistance. As you are aware the EEC is faced with the enlargement of the group of associated countries by the association of the Commonwealth countries following the entrance of Great Britain into the Community and at the same time the community is debating its general policy toward non-associated countries. Greater coordination of the assistance from member countries is now being sought by the Communities.

Attachments

SCSchott:tp

CURRICULUM VITAE

Jacques FERRANDI

Born: January 15, 1914 at Conco (Corsica)

Mr. Ferrandi received his Certificate from the Ecole Nationale de la France d'Outre Mer. He also holds a MA degree in law. From 1940 to 1943, he was an administrator in the territories of French West Africa. Following World War II, he was appointed Chief of the Bureau of International Affairs at the Ministry of French Overseas Territories. During this period, he participated in the design and inauguration of the First Development Plan for French Overseas Territories. From 1949 to 1952, he was a delegate for France on the Overseas Territories Committee of the European Organization of Economic Cooperation. In 1952, he both directed the Mission of Franco-Dutch Studies in Africa and served as Technical Advisor to the Minister of French Overseas Territories. Named Director General of Planning and Economic Services for French West Africa in 1953, he occupied this post until 1958 when Mr. Robert Lemaire, member of the European Commission, requested that he assume direction of his Cabinet. In January 1962, Mr. Ferrandi became Director of Development Studies and Programs for the Commission of the European Economic Community. In May 1963, he was named Director of the European Development Fund.

Biographical Statement

KARL-HEINZ G. DRECHSLER
(Germany)

Alternate Director for Germany

Appointed as of November 1, 1956 - to Sept. 4, 1958

Born - October 18, 1912 (Germany)

Married

Education

1932-38 : Universities Vienna, Munich, LL.D. Leipzig;
Grosse juristische Staatspruefung

Background

1938-42 : Ministry of Economics, Export Department

1942-45 : Military Service

1946 : University Kiel, Research Assistant

1947-48 : University Berlin, Research Assistant

1949-51 : Practice of law; Lecturer, Free University Berlin

1951-52 : Federal Ministry of Finance, Department "Money
and Credit"

1952 : Federal Ministry of Economics, Department
"Money and Credit", (Division Chief)

1956 : Alternate Executive Director for the International
Bank for Reconstruction and Development and the
International Finance Corporation

Presently, he is Director of the Department for Loans to the Associated
Countries of the European Investment Bank.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Roger Chaufournier *R*

SUBJECT: Visit of Mr. Claude Cheysson

DATE: August 7, 1973

2/7

1. On Wednesday, August 8, at 4:45 pm., you will see Mr. Claude Cheysson who will be accompanied by Messrs. Heidenreich, chief adviser to the EEC representative in Washington, and Buchbinder, an EDF staff member. Mr. Cheysson was nominated in April 1973 as Commissioner in charge of development aid on the thirteen man Commission of the European Economic Community. In this position he oversees the European Development Fund (EDF) whose deputy director general, Mr. Ferrandi (whom you have met) is our principal contact in Brussels.

Biography

2. Mr. Cheysson is 53 and graduated from the three most famous schools in France: Ecole Polytechnique, Ecole Nationale d'Administration and Ecole Normale Supérieure. He has had a distinguished career as a diplomat and a manager. As a diplomat he served in Vietnam in the early 50's and later played an important role as chef de cabinet of Prime Minister Mendès France in the 1954 Geneva negotiations winding down French involvement in Indochina. His diplomatic career culminated in his appointment as Ambassador to Indonesia from 1966 to 1968. In 1968, Mr. Cheysson became one of the very few shareholders of the newspaper Le Monde. In 1970, Mr. Cheysson was made Chairman of the Board of the Entreprise Minière et Chimique (EMC), which groups the State's interests in the chemical field, and President-Director General of the Compagnie des Potasses du Congo (CPC), which received a US\$30 million Bank loan in 1967 for the ill-fated potash project. Mr. Cheysson has a wide experience of African affairs and enjoys a reputation of being independent-minded and outspoken.

Purpose of visit

3. Mr. Cheysson is on a two-day introductory visit to Washington. By calling on you he follows up on the February 1970 visit of the then Aid Commissioner Rochereau. As a result of the 1970 visit our cooperation with EDF has considerably strengthened. We do not know whether Mr. Cheysson will raise any specific issues such as the Gabon Railway Project, but he is likely to emphasize the importance of continued close cooperation between our two institutions.

President has seen

Cooperation with EDF

4. We exchange documents on a regular basis with EDF and our Paris Office follows closely developments in Brussels. The Eastern and Western Africa Regional Offices meet twice a year with Mr. Ferrandi and his associates, once in Brussels and once in Washington. Our last meeting took place in Washington in June 1973. Apart from these formal meetings, staff of both institutions keep close contact on projects of mutual concern in Africa.

5. Unlike the European Investment Bank, EDF has done very little organized joint financing with us (examples are Ivory Coast Rubber project and port and road projects in Somalia). However, in several cases both Bank and EDF have assisted at different times, but in consultation with each other, the same sector or project in a country, (e.g., SODEPALM Ivory Coast, SONADER Dahomey). Projects being considered for future joint financing by both institutions are Congo Railways, Douala Port and Douala-Yaoundé Railways in Cameroon, Ivory Coast Railways, CIMAO cement project in Togo and Senegal Ship Repair Project.

Gabon Railways

6. The widely publicized Transgabonais is one of the rare projects where EDF and IBRD parted company and you are familiar with the details. I am enclosing our review of EDF's comments on our appraisal report. We feel we have no reason to change our position as a result of this review. The impression we formed during President Bongo's visit to Washington last week is that he is reconciled to the idea that the Bank will not participate in the financing of the first phase of the railway. At the same time, he seems to leave the door open for future project financing by the Bank.

The future of EEC aid to the third world

7. In three so called Association Agreements covering the period 1958 to January 1975 the EEC will have made available by January 1975, mainly through EDF, about 2.2 billion Units of Account to 19 "associated" West African countries. Negotiations to replenish EDF for a wider "clientèle" are formally scheduled to open on October 17, 1973 and may last as long as one year. Negotiators will be the EEC Council of Ministers on the one hand and 42 developing countries (including the 19 already associated countries) in Africa, the Pacific and the Caribbean on the other. Mr. Cheysson, in a news conference last week, insisted that the replenishment of EDF covering the period 1976-1980 should total "at least 2 billion Units of Account" if all 42 countries were to be associated to EDF.

8. At these negotiations, the EEC is likely to propose, among other things:

- a) to set up an EEC fund to stabilize export earnings for sugar, groundnuts, cotton, cocoa, coffee, bananas and copper;
- b) to leave developing countries free to grant EEC countries "reverse preferences" and to offer the same preferences to non-EEC countries;
- c) to include the new EDF in the general EEC budget which would allow continuity of EEC aid if ratification of the new EDF were to be delayed.

9. The forty-two "associated" and "associable" countries have stated, with a surprising display of unity, their negotiating position at a July 26/27 meeting with the Council of Ministers in Brussels which is:

- a) that they (the 42 countries) will not reciprocate tariff concessions given by the EEC;
- b) that technical and financial assistance from the EEC should not be dependent on any particular form of association agreement;
- c) that they should be assured free access to Europe for all products, including processed and semi-processed agricultural products;
- d) that there should be a guarantee of "stable, equitable and remunerative prices" for commodity exports from the 42 countries.

Subjects for discussion

10. We do not suggest you raise any particular project issue. However, you may wish to express your satisfaction at the overall coordination with EDF and ask Mr. Cheysson for his views on cooperation in the future. In this context, we will be interested in Mr. Cheysson's views on the future level of EDF assistance and in any foreseeable changes in the direction of its activities. You may also wish to emphasize the Bank's interest in river blindness, a field in which EDF has done previous work, and express the hope for future cooperation between EDF and the Bank in this respect. ✓
✓
✓

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cc.: Mr. Knapp
cleared with and cc.: Mr. Hoffman
Mr. Husain

RECONSTRUCTION AND DEVELOPMENT CORPORATION
OFFICE MEMORANDUM

Attachment I

TO: Files
FROM: T. Curpin and R. Westebbe
SUBJECT: GABON: Cwendo-Booue Railway Project

DATE: July 31, 1973

During the recent coordination meeting with officials from the European Economic Community (EEC) in Washington, Mr. Ferrandi, Director of FED, handed us a short report containing FED's comments and recommendations on the project. The following paragraphs give a short summary of the report and our comments.

Summary of FED's Position

1. The report recognizes the value of the appraisal and analysis carried out by the Bank. FED proposes, however, to reduce the cost of the project from CFAF 60,070 million to CFAF 48,628 million which, according to an unsubstantiated calculation, would result in an economic rate of return between 8.5 to 10.5%. Based on these rates of return, FED continues to support the project. FED discards the Bank proposed road/river alternative as inappropriate in view of the expected mining traffic.

Mining Aspects

2. There are no data and virtually no new elements concerning the likelihood of having the Belinga Iron Ore deposits exploited in the foreseeable future. The report recognizes the negative elements stemming from the high phosphorus content of the ore body and notes the unwillingness of the concessionaire to commit itself to any firm date to open the mine. The report concludes (somewhat more optimistically than the Bank appraisal), that the Belinga deposits may have a fair chance of competing in the mid-80's with other potential mines for new markets. FED does not propose quantifying any possible benefits from such a mine opening.

Construction Costs

3. FED believes..."that it would be possible to make considerable savings in the foreseeable cost of the project...so that timber production alone can start...without prejudice to the future role of the railway, which is to transport 15-20 million tons of iron ore per year from when the mine opens." (page 3) The proposed cost reductions consist essentially of:

- (a) complete deletion of some items and reductions in certain design standards;
- (b) deferment of other items to Phase II, when timber traffic has reached its maximum volume.

4. The cost estimates used in the Bank's appraisal were based on detailed engineering and cost studies prepared by consultants and agreed upon with the Government and the Gabonese railway organization OCTRA. FED has not disclosed details of its revised cost calculations and there is virtually no evidence which would enable us to make detailed comments or to judge whether the proposed revisions would be feasible and in keeping with the role of the railway as defined above.

5. Cost reductions are proposed in most positions, many of them of small extent. The more important changes are discussed in the Annex to this memorandum, with an indication of which cost reductions, prima facie, could be accepted as a working hypothesis. On this basis, the following picture emerges:

	<u>FED Report</u> <u>May 1973</u>	<u>Bank appraisal</u> <u>February 1973</u>	<u>Bank appraisal modified on</u> <u>the basis of comments in</u> <u>the Annex</u>
<u>Phase I (73-78)</u>			
Railway	31,989	39,580	(38,000)
Port	2,594	3,440	(3,200)
Roads	<u>6,517</u>	<u>11,430</u>	<u>(7,900)</u>
Sub-total	<u>41,100</u>	<u>54,450</u>	<u>(49,100)</u>
<u>Phase II (82-84)</u>			
Railway	1,434	-	(500)
Port	100	-	(240)
Roads	<u>5,994</u>	<u>5,620</u>	<u>(7,200)</u>
Sub-total	<u>7,528</u>	<u>5,620</u>	<u>(7,940)</u>
<u>GRAND TOTAL</u>	<u>48,628</u>	<u>60,070</u>	<u>(57,040)</u>

The last column does not constitute a revised Bank cost estimate. It is only a rough quantification of those revisions proposed by FED, which, merit consideration. These savings would amount to about 5% overall and 10% in Phase I, the bulk of which in the feeder road component.

Economics

6. The FED report does not contain a new economic and financial evaluation of the project. They consider the Bank's appraisal "over-cautious" but appear to accept both the Bank's methodology and unit benefits. On this basis, and taking into account the reduced cost estimates, FED concludes that the economic rate of return would be between 8.5 and 10.5%, as compared with the Bank's incremental return of 3.4 to 5.4%. The FED

report gives no evidence on this calculation and we have no way of checking on the methodology applied. We have, however, repeated our cost-benefit calculation with the cost figures given in the third column of paragraph 5. It follows that the incremental rate of return would increase by about 0.5% and would not exceed 6%. Therefore this would not affect the Bank's conclusions regarding the economic merits of the project.

Finances

7. The FED report does not comment on the Bank's financial evaluation of the project. It simply states that, on the basis of its own reduced cost estimates, about 44,000 million CFAF will be required to fund Phase I of the project. It adds that of this amount CFAF 145 million for the administrative building is already secured and that it is hoped to have CFAF 388 million for port log-handling equipment financed (and operated) by private companies. In the absence of any details on the proposed financing plan we are not in a position to revise our financial evaluation.

Public Finances and Railway Construction

8. Partly based on unspecified increases in oil output and revenues, FED estimates that Government current revenues will grow at an average of 15% p.a. The Bank projects a 10% annual rise in revenues based on a realistic assessment of likely economic growth from three main sources: forestry, petroleum and public works.^{1/} An independent confidential Ministry of Finance projection of revenues is close to ours. The Bank estimate is based on the most optimistic Government projection of oil output, assuming that oil production will rise from 6.4 million tons in 1973 to 13 million tons in 1978, and that prices will continue to rise in line with developments in the major producing countries.

9. On the basis of a 10% growth rate in revenues, Gabon will not be able to make a reasonable contribution to either a minimum public investment program or to cover its promised share of railway investments (13.5 billion CFAF) as current surpluses will be absorbed by service on existing and new debt through 1978. FED assumes that new debts will be undertaken on more favorable terms than in the past. However, it is unlikely that suppliers' credits will be restrained to the extent assumed, so as to keep service on new debt at relatively low levels. Last year and since, the Government has agreed to financing terms on new public investments which are more onerous than assumed above. Second, the current rate of spending on non-railway investments exceeds the level assumed in the minimum program and there is as yet no indication that the Gabonese authorities are prepared to severely curtail their program.

^{1/} The FED implicitly projects a higher economic growth rate, in current prices, and a higher growth in receipts other than oil than does the Bank. The Bank projection is based on a 10% growth in GDP and revenues, in current prices.

Indeed, the FED paper emphasizes that the Government will have to exercise self-discipline with respect to recurrent outlays and investments in order to cope with some difficult years which lie ahead, while building the railway.

10. In conclusion, on the basis of a 10% growth rate in revenues, the implementation of the railway project will create serious problems for the future creditworthiness of Gabon. Assuming less realistically a 15% growth in revenues Gabon could just finance its estimated share of the railway if debt service and other investment spending were tightly curtailed. Neither growth rate of revenues would permit Gabon to make a start on social investments and programs which are regarded as essential to overcome the severe human resource constraint from which the country suffers. Indeed, if Gabon implements the railway project, it will probably have to postpone most social investments for some years.

Conclusion

11. In view of the still unsatisfactory rates of return and in the absence of any new evidence concerning the chances of early mine opening, we see no reason to change the Bank's position as expressed in the letter to President Bongo of February 6, 1973.

TCursin/RWestebbe:bh

Cleared with and cc: Messrs. Thalwitz, Steckhan
cc: Messrs. Chauffournier, Johnson, du Parc, Erim, Pouliquen

GABCN

Cwendo-Bocue Railway Project

FED has proposed cost reductions in many positions. The most important changes are discussed below.

Railway

- (i) reduction of the width of the platform from 7.5 m to 5.5 m, which would include reductions in the length of culverts;

comment: this is a question of soil stability and we are in no position to endorse this rather important departure from the originally agreed design standards.

- (ii) elimination of rail welding and reduction in sleeper density;

comment: this is not considered advisable because it would increase the cost of operation and track maintenance; in addition, subsequent welding of used rails has technical disadvantages.

- (iii) reduction of the ballast from 30 cm to 20 cm and simplification of the signalling system until the iron ore traffic commences;

comment: this could be accepted as a working hypothesis.

- (iv) deletion of staff housing from the project, because it is part of the "social policy of the Government";

comment: this does not appear acceptable because it would not affect the economic analysis of the project nor would it lessen the financial burden of the Government.

- (v) partial deferment of the acquisition of rolling stock and locomotives from Phase I to Phase II;

comment: splitting the purchases of rolling stock into two stages is possible whereas it does not appear realistic to split the already small order of nine locomotives into two lots of six and three respectively.

- (vi) FED finally proposes to relocate the Bocue station, thereby reducing the length of the railway by 8 km or 2.4%.

comment: we have no knowledge of this possibility and the FED reports does not give any explanations. As a working hypothesis it may be accepted as feasible.

Port

- (vii) deletion of a breakwater, reduction in the quantities for dredging and fill, deferment of certain equipment purchases to Phase II;

comment: we are in no position to endorse the changes in the civil engineering elements but consider the proposed phasing of the equipment purchases reasonable;

Roads

- (viii) FED proposes to reduce the length of the feeder road network by about 50 km (or about 13%), to reduce the allowances for engineering services, to cut the physical contingencies from 20% to 10% and to make minor reductions in the allowances for price contingencies.

comment: the Bank's evaluation of the road program was completed prior to the receipt of studies by consultants SEGA and was, therefore, preliminary. Based on the subsequent studies the reduction in the length of the feeder road program and some adjustments in the phasing appear reasonable. On the other hand, SEGA's report is based only on aerial reconnaissance, not on preliminary engineering, and we do not consider it prudent to reduce the physical contingencies and engineering allowances.

July 31, 1973

Claude Cheysson "On Record"

In the French Government reshuffle following last March's legislative elections Jean-François Deniau, the EC Commissioner responsible for the Community's relations with developing countries, left Brussels to become State Secretary for Foreign Affairs in Paris. His place in the 13-member Commission was filled by Claude Cheysson, scholar, business leader, and former diplomat, who has spent 15 years working in the "Third World." Here Commissioner Cheysson answers questions from Douglas Ramsey, a staff member of European Report.

The present association agreement linking the Community with 19 African countries, Yaoundé II, expires January 31, 1975. What kind of new Yaoundé Convention do you envisage?

Cheysson: Eleven years of my service in the Third World were spent in the employ of the countries themselves—first in Indochina, then in sub-Saharan Africa, and later in Algeria, so I think I speak as an African as much as a European. I would like all 38 of the Associates and "associables" to join in a new Yaoundé agreement, because it is in their interest. They need markets, resource guarantees, and aid, in varying order. I think that Europe can help fulfill these needs which are essential to their development efforts.

At what cost to them? More specifically, a number of Commonwealth associables and non-member countries have attacked the Yaoundé Convention as imposing too much on the countries which Europe is purportedly trying to help.

Cheysson: Much of the criticism against the current association is steeped in misunderstanding. This is as much the case for association institutions as reverse preferences. I am not saying that there is no room for change. On the contrary, the new Commission memorandum (see *European Community* No. 167, pages 20-22) points out several areas where changes should be made and new factors brought in.

Reverse preferences have by far been the most controversial aspect of European-African relations, especially as seen from the United States. Where does the misunderstanding you speak of lie?

Cheysson: There are simply no reverse preferences. We are asking for free access to the Associates' markets, and this treatment can be extended to any other country outside the association. We must have reciprocity in the association, but reciprocity which entails minimal costs for our Associates. The rules are designed so that it need not cost the Associates anything at all to dismantle their customs tariffs, because whatever they lose through the abolition of customs duties may be recovered through excise duties. Zaire does so right now as do the Arusha Associates (Kenya, Uganda, and Tanzania), and the system seems to work well. This should answer the worries of critics among the associables.

However, there are attacks on reverse preferences, notably from across the Atlantic, which irritate me somewhat . . . because the Americans are not really distressed by reverse preferences as such, but preferences plain and simple. This is because they are in most cases not in a position to extend such treatment.

Some people say that reciprocity should not be obligatory in trade relations with developing countries and that GATT [General Agreement on Tariffs and Trade] rules should be revised to acknowledge this. Would Europe go along with such a thesis?

Cheysson: "Unilateral free access" is a very attractive alternative to the present GATT rules on free trade areas, but since it was not written into the Commission's memorandum on the forthcoming multilateral trade negotiations, the idea is unlikely to be put on the GATT bargaining table. Given these facts, reciprocity in Europe-Africa relations is of crucial importance as the EC enters negotiations with the United States and others. Obviously Europe is going to stick like glue to GATT, especially to its principles of reciprocity. GATT principles will characterize our basic stance in bargaining with the United States, and we cannot risk losing our footing simply by saying that reciprocity does not apply to the Third World.

You said that new factors may be brought into the Yaoundé Association. To take an instance, can the Commission proposal for stabilizing the Associates' export earnings really work?

Cheysson: For 20 years such organizations as the United Nations and the Organization for Economic Cooperation and Development have talked about guaranteeing the developing countries' income, but it has remained essentially talk. The Commission is now suggesting that the Community take this step, even though the other industrialized countries are not ready to do so. It will guarantee not only prices but the quantity of certain crucial resources such as sugar, bananas, peanuts, and copper. It will serve to assure countries which depend on these products a minimum yearly income, although of course I hope a higher income than that. The plan could work if Europe is willing to take this important step without waiting for other industrialized countries to arrive at the same position.

In the negotiations for a new Yaoundé Convention, just how committed will the associables be to the current form of association?

Cheysson: Not at all. We are committed to our present Associates to offer a renewed association along the lines of the Yaoundé II Convention. Therefore, we will start negotiations using Yaoundé as a platform. All African and other associate countries have been invited to free and open discussions (see page 5). Then, if a country wants something other than the most complete form of association, it may ask the EC to engage in a second round of negotiations to conclude an agreement which may respond better to its particular needs.



Commissioner Claude Cheysson has special responsibility for the Community's development aid program.

Several Commonwealth associates have stated that they would like some sort of association, but without the unwieldy and often ambiguous institutions such as the joint parliamentary committees, or even without free trade access to the Common Market. Is the Community willing to negotiate association agreements with associates which only want financial and technical cooperation?

Cheysson: I am categorical on this point, and I think that I can commit the Commission. . . . If the Africans want to discuss a different system, of course we are ready to do so. I am not saying that we can go very far. It seems above all apparent that if the Community engages in negotiations solely on financial cooperation, it is unlikely to go as far as it would if the negotiations for aid were part of a coherent whole. But there certainly can be agreements in which certain aspects of the Yaoundé Association are dropped, just as a wide variety of agreements is being worked out for countries in the Mediterranean area.

The so-called "second alternative"—between full association and a trade agreement—was deliberately left vague to accommodate specific situations. Any country may suggest its own model if it so wishes.

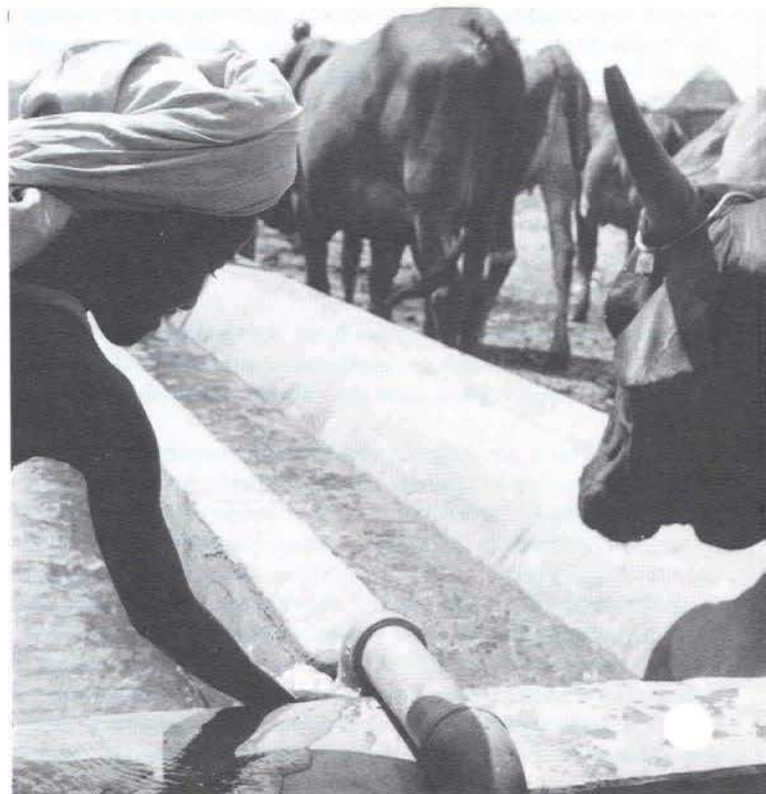
The bulk of the developing world has been left out in the cold as far as European development aid is concerned. Isn't it time, while the EC is rethinking its ties with Africa, to try extending Community level aid to other parts of the world?

Cheysson: This question is very difficult, because while it is valid on the level of policy, it is insufficient on the level of ideas. Of course, if the "Nine" were joined by the other industrialized

countries, all developing countries could enjoy the benefits which are at present reserved for the EC Associates. To be frank, we cannot make the same effort at the world level without the Americans. The facts speak for themselves: European development aid is helping in its modest way to stimulate development for the relatively few millions of people in Africa. Add to that population the hundreds of millions in other developing continents, and the task becomes too big for the Community alone.

This does not mean that we cannot increase the volume and diversify our aid program. The Council of Ministers is seriously studying the possibility of extending economic and technical cooperation to non-associated countries. However, given our limited resources, proximity will undeniably continue to play an important role in who gets the lion's share of Community aid. We must not let our aid be spread so thinly that public interest in development wears thin. The day when development aid takes only the form of writing a check to an anonymous recipient in a country we do not know, we are on the eve of the abandonment of aid in the world. Unless the human, cultural link is there, the national parliaments will be clamoring for much less spending.

A Community financed watering station near Bulela, Somalia. "European development aid is helping in its modest way to stimulate development for the relatively few millions of people in Africa . . . If the 'Nine' were joined by the other industrialized countries, all developing countries could enjoy the benefits which are at present reserved for the EC Associates."



CHEYSSON Claude

Born 13 April 1920

Studied at the Ecole Polytechnique and the Ecole Normale Supérieure

Studied at the Ecole Nationale d'Administration (1947-1948)

Administrator, Ministry of Foreign Affairs (1948)

Chief Liaison Officer to the Federal German authorities in Bonn (1949)

Adviser to the President of the Government of Vietnam (1952)

Secretary, Ministry of Foreign Affairs (Grade 1) (1952)

Deputy Chief and then Chef de cabinet to Mr P. Mendes-France (June 1954-January 1955)

Technical Adviser to the Cabinet of Mr A. Savery (1956)

1st Secretary in London

Adviser on Foreign Affairs (Grade 2) (1956)

Secretary General of the Commission for Technical Cooperation in Africa (1957-1962)

Counsellor, Ministry of Foreign Affairs (Grade 1) (1958)

Director-General of the Technical Organisation for the Exploitation of Mineral Resources in the Sahara (1962-1965)

Director-General of the Industrial Cooperation Organisation (1966)

Minister plenipotentiary (Grade 1)

Ambassador to Indonesia (1966-1970)

Chairman of the Board of "Entreprise minière chimique" (1970)

Officer of the Légion d'Honneur

Croix de guerre 1939-1945 and of TOE.

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: August 9, 1973

FROM: Roger Chaufournier *RC*SUBJECT: Visit of Commissioner Cheysson

Commissioner Claude Cheysson, Commissioner in Charge of Development Aid in the European Economic Community visited Mr. McNamara on Wednesday, August 8. Mr. Cheysson was accompanied by Mr. Heidenreich, Chief Adviser to the EEC representative in Washington, by Mr. Buchbinder and by Mr. Tarrant from the State Department.

Referring briefly to the satisfactory state of relations between the FED and the Bank, Mr. Cheysson proceeded to describe the new directions the community was taking in its relations with developing countries.

3/10
One of the first objectives of the community was to work out arrangements which would provide stability over time in its relations with associated countries. A relationship which would involve all African countries instead of a few would give more promise of stability, since the present system presented divisive elements among African countries. The fact that the African countries were developing a common position with Nigeria as their spokesman was an encouraging sign since Nigeria had been regarded earlier as opposed to association.

The second objective of the proposed arrangements would be to guarantee free access of goods from the associated countries into the community. In addition to aid (and there Mr. Cheysson indicated he hoped aid to be made available through the FED would be increased from the amount \$1 billion to about \$2 to \$3 billion) the arrangements would provide some form of guaranteed return on export earnings. (In a private conversation with me Mr. Cheysson admitted that some of the Community members were opposed to such a scheme but he felt reasonably confident that if the African countries remained united on this issue he would succeed in having it approved).

As a view of the future, Mr. Cheysson mentioned that the type of association he envisaged would eventually lead to a shift of industrial production from Europe to the developing countries where it can take place more economically. In answer to a question Mr. Cheysson said there were developments in Europe which would facilitate such a shift, in particular the large increase in migrant labor which caused increasingly serious social problems.

Mr. Cheysson also mentioned he thought that some of the community's resources could be used to subsidize the cost of borrowing in the European market, thus permitting raising additional resources for development as some of the future associates would not necessarily need to borrow on terms as favorable as IDA type terms.

President has seen

Mr. Cheysson asked what experience the Bank had had in the stabilization of earnings of primary producers. Mr. McNamara said the Bank's experience was extremely limited, but cited the policy towards the financing of production as an indication of the type of action the Bank was considering. He also referred to his Santiago speech and to his conversations with Minister Giscard d'Estaing on the matter, indicating the readiness of the Bank, under certain circumstances, to consider the financing of storage facilities and buffer stocks.

Mr. Cheysson said it would be very helpful to the Commission to have the Bank's advice in these matters and indicated that he would like to send some members of his staff for discussion with ours. Mr. McNamara welcomed the idea and suggested to Mr. Cheysson that he get in touch with Mr. Chaufournier or Mr. Chenery.

In closing, Mr. Cheysson referred to the Commission's position on the Gabonese railway. He said this reflected different institutional constraints between the Bank and FED. He understood perfectly well the Bank's decision not to participate but the Commission, given its relationship of "partnership" with Gabon had to go ahead.

RChaufournier:sm

MEMORANDUM FOR THE RECORD

Visit of Ambassador Krag of the EEC, January 31, 1974

Present: Messrs. McNamara, Krag and Lang (Economic Counsellor)

Mr. McNamara commented that Ambassador Krag was coming at a time of crisis and they discussed the effect on the Bank and its borrowers of the energy price increases and the setback for IDA in the U.S. Congress. Mr. Krag said that he hoped that the February 11 meeting of oil consumers would result in working groups leading up to a world conference on energy. Mr. McNamara said that he hoped for good results but that the prospects were not great due to the short time for preparation.

Mr. Krag asked about Mr. McNamara's forthcoming trip and Mr. McNamara mentioned his itinerary.

Mr. Krag asked about contacts between the EEC and the Bank. Mr. McNamara said that there should be more and he would particularly like to know more about the economic and political processes in the EEC. The Economic Counsellor commented that the impact of oil prices would practically offset the FED replenishment even if it were to be \$2.5 billion for five years.

Mr. Krag asked about the prospects for India when energy prices have increased. Mr. McNamara said that there will be increasing comparison between India and China. They discussed China, its economic growth, eradication of poverty and the costs of these programs.

AL
February 1, 1974

President has seen

6

MEMORANDUM FOR THE RECORD

Visit of Mr. Simonet, Director of Energy Policy in the EEC, April 30, 1974

Present: Messrs. McNamara, Simonet, Heidenreich

Mr. McNamara asked what would come of the UN Special Assembly. Mr. Simonet did not know but mentioned that the EEC scheme would depend on approval by the Council of Ministers and may be financed as an equalization fund. It would be difficult to extract fresh contributions from EEC members under present circumstances. Mr. Simonet asked what Mr. McNamara could do in this connection.

Mr. McNamara said he was aiming to expand IBRD lending but the expansion in real terms would not be high due to inflation. IDA funds are limited and decreasing in real terms. The Bank would not be able to take call deposits as suggested by Mr. Simonet.

In response to Mr. Simonet's question, Mr. McNamara said the EEC should definitely make a strong effort to take a leading role in financing the needs of developing countries. Again to Mr. Simonet's question, Mr. McNamara said that, if the EEC would not be willing to do so, the Bank could start from the results of the UN General Assembly to try to negotiate a scheme through someone appointed by the Secretary General. The Bank would be willing to provide technical and administrative services to such a scheme. He would recommend DAC terms.

Mr. Simonet promised that he would report to Mr. McNamara on the discussions in the EEC regarding the proposal for aid financing.

AL
May 1, 1974

7

OFFICE MEMORANDUM

TO : Mr. Robert S. McNamara

DATE : September 25, 1974

FROM : Jean Carrière *J.C.*SUBJECT : Your meeting with Mr. François-Xavier ORTOLI,
President of the EEC Commission,
Friday, September 27, 1974.

*9/27: Mr. Ortoli called
back to Italy so can -
called appointment.
KPN attended dinner
for VP (Finance) Heferkamp
P.*

The backdrop

1. Your meeting with Mr. Ortoli will probably cover a larger ground than your July talk with EEC Commissioner for Aid, Mr. Cheysson. Mr. Ortoli has broader political responsibilities, and he must be primarily concerned with the negative developments on the European scene. The Community, as an effective economic and political organization, is at an alltime low. Contrary to expectations, the "rapprochement" between Messrs. Valéry Giscard d'Estaing and Helmut Schmidt has failed so far to bear any concrete fruit. Strong disagreement persists among the "Nine" on such vital matters as agricultural policies; the German Cabinet has just rejected a decision made some days earlier by the EEC Council of Ministers. The situation is no better as regards monetary policies, financial assistance to member countries and the setting up of a political secretariat. More generally, observers feel that the mounting economic crisis is causing the Community to divide itself rather than to unite to face the crisis. The forthcoming election in the United Kingdom adds to the creeping pessimism, to the extent that it might lead to U.K.'s withdrawal from the EEC.

The EEC 1975 budget has been cut from U.A. 6.8 billion (presmithsonian dollars) proposed by the Commission, to 5.6 billion. The increase over the 5 billion of 1974 will barely cover the general price increase.

The Commission has been under strong attack by Chancellor Helmut Schmidt on grounds of employing excessively bureaucratic methods.

Aid

2. One of the few highlights is the aid chapter and I expect Mr. Ortoli to deal with this extensively, and in political terms.

(a) Renewal of the Yaounde Convention

This is the single most important element of the Community aid policy. The main point now left for negotiation is the size of the funds the EEC will be willing to commit for the five years 1975-79 on account of the FED replenishment (including indemnification of associates for possible export revenue shortfalls.)

To implement the basic principles accepted by the Nine - previously associated countries must get advantages equivalent to those already enjoyed; new associates must be placed on an equal footing - the Commission considers a trebling of the present FED of U.A. 1 billion. The 44 African, Caribbean and Pacific Ocean countries ask for a FED of U.A. 8 billion. Explorations are under way to find some middle ground. Then the ratification process will begin on the part of all member countries involved.

(b) Mediterranean policy

Several Mediterranean countries are seeking an association with the Community.

Spain and Israel have negotiated substantive portions of trade and industrial cooperation agreements, without financial assistance.

The three Maghreb countries and Malta have also been negotiating trade concessions but, in addition, substantial financial aid features are envisaged in their case. The overall amount provided by the EEC for a five year fund would be U.A. 360 million equivalent, of which half in the form of loans repayable in 30 years, following a ten-year grace period at 2 1/2 interest, and the balance as grants.

Egypt, Syria, Lebanon and Jordan have had exploratory discussions with the EEC Commission and have stated, with varying degrees of precision, their interest in industrial cooperation (especially Egypt) and financial assistance.

Greece's special case. Greece has requested the EEC to revive the association with the EEC, practically inoperative since the Colonels' coup in April 1967. From a strictly financial point of view, Greece is asking to be permitted to use \$55.75 million out of the funds left undisbursed under the agreement then in effect. Furthermore, it has applied for a balance of payments support of \$800 million for two years in order to offset the increased cost of oil imports. The general feeling among the old "Six" is favorable toward reviving Greece's association. The new "Three" members are not expected to raise objections. The scale of aid, however, may be quite lower than the amount asked by Greece.

(c) Aid to non-Associated Countries

At the moment, this aid takes essentially two forms.

. Food aid programs

The food aid amounts to about U.A. 200 million a year and is distributed worldwide. Its potential expansion is closely related to the U.S. position on its own food aid, on conditions of the world agricultural products markets, and on the quality of harvests in Europe.

. UN Emergency Operation

The EEC Ministerial Council of September 24 has confirmed its willingness to contribute \$500 million under the UN Emergency Operation, as long as the burden would be shared fairly between the oil-producing and industrialized countries.

But the Ministers refrained from giving their final approval to the Commission's proposal to make a first payment of \$150 million until they get assurances on the validity of the figures concerning emergency aid provided by the oil producing countries. It is hoped that the UNEO meeting of September 27 in New York will bring these assurances to member countries.

EEC Dialogue with the Arabs

3. The EEC has tried to work out some understanding with the arab oil producing countries. The basic theme is exchange of technology against oil. A joint steering committee is to be set up to give substance to the exchange, in terms of institutional arrangements, kinds of projects to finance, volume and terms of financing and the like. Euro-arab cooperation in the LDCs is one of the problems the steering committee must take up.

Suggested areas for discussion

4. Mr. Ortoli's preoccupations and interests are, at this juncture, mainly political. What is the future of the Community, how can the EEC extend its influence abroad, and be more active in the field of foreign aid, as part of it, how can it attain greater cohesion and take an identity different from the mere association of Nine States? Any question on your part in these areas is likely to elicit interesting reactions.

5. We now have extremely good relations with the EEC Commission. We get most of the information we need, and the Commission shows an increasing interest and respect for the Bank and its action. You might express your appreciation for that to Mr. Ortoli.

6. Mr. Ortoli may invite you to visit Brussels. My suggestion is that you accept in principle, however making reservations as to timing. Anyway, Mr. Ortoli's term ends up on December 31, 1974. He may be renewed, but he may not.

Furthermore, the EEC is currently crippled by an internal crisis on agricultural policy and by the prospects of a U.K. withdrawal. Your visit to Brussels, if any, should take place at a more propitious moment.

cc: Mr. W. Clark
VMasoni:JCarriere:mcl

Att: Mr. Ortoli's curriculum vitae

Mr. François-Xavier ORTOLI - Short Curriculum Vitae

Born February 16, 1925 in Ajaccio (Corsica)

Studies:

Lycée Albert-Sarraut in Hanoi
Law Faculty in Indo-China

Degree: B.A. (Licence) in Law

Career:

1947	Student at the Ecole Nationale d'Administration
1948	Inspector of Finance
1951	Member of the Private Office of the Minister of Economic Affairs, then of the Minister of Information
1952	French Government Agent attached to the Franco-Italian Conciliation Commission
Jan. 1953	Technical Adviser to the Private Office of the Minister of Economic Affairs
1955	Assistant Director in the Private Office of the Minister of Economic Affairs
1957 - 1958	Head of the Trade Policy department of the State Secretariat for Economic Affairs. Director General of the International Market Directorate of the EEC
May 1961	Secretary-General of the Inter-Ministerial Committee for European Economic Cooperation
1962	Technical Adviser to the Private Office of the Prime Minister, then Director of the Private Office of the Prime Minister in December 1962
1963	Representative of the State on the Board of Directors of the Havas Agency
1966 - 1967	General Commissioner for Planning
1967	Chairman of the Advisory Committee on the Production of Electricity from Nuclear Sources

Mr. Ortoli's C.V. (contd.)

1967 - 1968	Minister of Supply and Housing
May - July 1968	Minister of Education
July 1968 - June 1969	Minister of Economic Affairs and Finance
June 1969 - July 1972	Minister of Industrial and Scientific Development
June - August 1968	M.P. U.S.
Jan. 1, 1973	Appointed President of the EEC.

mcl
Paris Office
September 25, 1974

8

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970 MICHAEL HOFFMAN URGENT IMMEDIATE DELIVERY

REYOUR TELEX 707 TO CARRIERE ON MISSION

PRIMO: ENERGY COMMISSIONER SIMONET VISIT TO ALGERIA LAST WEEK AND TO THE US THIS WEEK INTENDED TO SURVEY CURRENT POSSIBILITIES OF SOLUTION OF ENERGY PROBLEM AFTER DEADLOCK OF PARIS CONFERENCE ENDED APRIL 15. SUCH DIPLOMATIC INITIATIVE, AUTHORIZED BY EEC COUNCIL OF MINISTERS MAY 5, OVERLAPS SEVERAL AREAS: (A) QUESTION OF RAW MATERIALS INCLUDING SUPPLY, PRICE STABILIZATION AND INDEXATION, BUFFER STOCKS AND FINANCING OF EXPORTS SHORTFALLS BY STABEX TYPE AGREEMENTS. (B) EURO-ARAB DIALOGUE AIMED AT ENSURING OIL SUPPLY AND RECYCLING SURPLUS OIL FUNDS IN EUROPE. (C) EEC MEDITERRANEAN POLICY, COVERING ECONOMIC RELATIONS WITH ISRAEL, ARABS AND OTHER RIPARIANS. SIMONET'S FIRST TASK IS SORTING OUT ISSUES AND DEVISING METHODS FOR TRYING TO SOLVE ENERGY ASPECT. HIS TASK IS COMPLICATED BY DIFFERENCES OF VIEWS AMONG THE NINE. AT MAY 5 COUNCIL FRENCH STATE SECRETARY DESTREMAU DECLARED THAT ENERGY SHOULD BE TREATED AS PART OF OVERALL RAW MATERIALS PROBLEM IN FRAMEWORK OF RADICAL REFORM OF WORLD ECONOMIC ORDER. DUTCH FOREIGN MINISTRY VAN DER STOEL INSISTED THAT THE TWO SUBJECTS CANNOT BE DEALT WITH SIMULTANEOUSLY AND IN SAME

5/15

FORUM. MAJORITY FELT THAT SPECIAL EFFORT SHOULD BE MADE FOR RAW MATERIALS BUT THAT SUBJECT SHOULD NOT BE DISCUSSED AT INTERNATIONAL ENERGY CONFERENCE. EEC COMMISSION FEELS THAT MUCH FOOD FOR THOUGHT IS BEING PROVIDED BY WILSON SIX-POINT PROGRAM PRESENTED IN KINGSTON. BUT NO SPECULATION IS READILY AVAILABLE IN BRUSSELS ON HOW ALL THIS HOLDS TOGETHER AND HOW IT MAY DEVELOP.

SECUNDO: FROM SIMONET CABINET WE GATHER (A) HE FOUND ALGERIANS OPEN FOR CONTINUATION OF DIALOGUE BEGUN IN PARIS BUT FIRM ^{"HARD"} ("DUR") ON NEED TO DISCUSS ENERGY AND RAW MATERIALS AT SAME TIME. INCIDENTALLY WE NOTE HERE THAT RESENTMENT FOR SIGNING EEC-ISRAEL PREFERENTIAL AGREEMENT MAY 11 AHEAD OF SIGNING SIMILAR AGREEMENTS WITH MAGHREB COUNTRIES LIKELY TO MAKE ARAB COUNTER-PARTS IN DIALOGUE LESS COOPERATIVE. (B) HE WISHES TO QUOTE
→ INFORM MCNAMARA ABOUT HIS FINDINGS IN ALGERIA, THE EEC POSITION ON RAW MATERIALS AND THE LIKELY EEC POSITION AT THE UN SPECIAL SESSION, AND TO ASK MCNAMARA'S IDEAS UNQUOTE

TERTIO: CHEYSSON'S CABINET IS EXPECTING SIMONET'S MISSION TO ACQUIRE IMPORTANT ELEMENTS OF JUDGMENT TO WORK OUT POSSIBLE PROPOSAL ON RAW MATERIALS, INCLUDING A GENERALIZED STABEX-TYPE ARRANGEMENT, AT FORTHCOMING UN SPECIAL SESSION. HOWEVER EXTERNAL RELATIONS DIRECTORATE CAUTIONING THAT COMMISSION'S OWN THINKING ON THE SUBJECT IS STILL VERY FLUID. REGARDS

MASONI

NEWS SERVICE

INFORMATION AND PUBLIC AFFAIRS DEPARTMENT

This news story appeared on page 2 of the 15 May 1975 issue of

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| <input checked="" type="checkbox"/> | THE JOURNAL OF COMMERCE | <input type="checkbox"/> | THE FINANCIAL TIMES |
| <input type="checkbox"/> | THE WASHINGTON POST | <input type="checkbox"/> | |

To Show Rich Nations' Sincerity

Gesture to Poorer Lands Urged

Journal of Commerce Staff

WASHINGTON — The industrial nations should first show the poorer countries that they are serious about helping them, before trying for another oil conference, a leading European said Wednesday.

Henri Simonet, vice president of the European Commission, a Common Market organ, told reporters here that the industrial nations ought to address the problems of raw materials trade.

Once that is done, he said, they would be better posi-

tioned to negotiate on oil matters with the Organization of Petroleum Exporting Countries (OPEC).

The developing nations have insisted that the industrial countries guarantee them better prices for their raw material exports. Oil producing countries have backed the demands, by refusing to negotiate on oil unless raw materials are discussed generally.

The European Communities (EC) recently signed a trade-aid agreement with more than 40 developing nations, in-

cluding price guarantees on over a dozen basic commodities.

U. S. reaction to the agreement, said Mr. Simonet, was "not happy." The U. S. has long taken a skeptical attitude about international price-stabilizing pacts, although Secretary of State Henry Kissinger this week hinted the U. S. may reconsider its position.

Mr. Simonet was pessimistic that U. S. proposals to increase energy production and conserve energy use will have much impact on world oil prices over the next several years.

He allowed that the OPEC countries may try to raise oil prices in September, to offset the erosion of their income by inflation. As the world economy revives, and oil demand increases, a price rise will become more likely, he said.

The chances of Western Europe substantially increasing its energy output from coal and nuclear sources in the near future were virtually ruled out. European coal, said Mr. Simonet, is costly to produce — the equivalent of \$8 to \$9 a barrel — and many nuclear stations won't operate before the early 1980s.

9.

OFFICE MEMORANDUM

TO: Robert S. McNamara
FROM: Michael L. Hoffman *MLH*
SUBJECT: Mr. Claude Cheysson

DATE: July 10, 1975

1. This is in connection with your dinner of Sunday, July 13, with Mr. Cheysson. You met him on August 8, 1973, in your office, when he was in Washington on an introductory visit.
2. He is 56 years old and a graduate of the Ecole Nationale d'Administration. His main responsibilities have been:
 - (a) 1954, Chef du Cabinet of Mr. Mendes-France, Prime Minister of France, at the time of the Geneva Conference on Indochina (I knew him then);
 - (b) 1956, technical adviser in negotiations leading to Moroccan and Tunisian independence;
 - (c) 1957-1962, Secretary General of the Commission for Technical Cooperation in Africa South of the Sahara, in Lagos. This is a position Paul-Marc Henry had held previously;
 - (d) 1962-1965, Director General of the Algerian State institution for the technical development of the Algerian Sahara. Mr. Van Lethem had held similar responsibilities in that same area previously;
 - (e) 1966-1970, Ambassador to Indonesia;
 - (f) Since April 1973, member of the European Commission responsible for development and cooperation and for the Community's budgeting control.
3. Mr. Cheysson's most recent accomplishment has been the successful negotiation of the Lomé Convention between the EEC and 46 African, Caribbean and Pacific Ocean countries, with its innovative aspects such as the STABEX scheme providing a system of financial aid (up to 375 million U.A. over 5 years) to compensate for shortfalls of revenues derived from exports of 12 major commodities to the Nine.
4. In Paris recently Mr. Cheysson raised the question with William Clark, as to how the Bank could do anything effective in connection with buffer stocks in view of the fact that Russia and China are not members, but there was no opportunity for them to discuss the matter. He may still have this in mind.
5. Mr. Cheysson is a forceful speaker whose themes, for example, at the Unido Conference in Lima in March, show understanding for some of the positions adopted by the developing countries. It will be recalled that he has been also quite active and forceful in trying to move the Nine to adopt a positive attitude in regard to UNEO and towards the World Food Council problems.

2/3/76

Fernand Spaak, Director, EEC Delegation to the US

10.

OFFICE MEMORANDUM

TO: Mr. McNamara, (through Mr. William Clark)

DATE: February 3, 1976

FROM: Shirley Boskey, IRD *SB*SUBJECT: Fernand Spaak, EEC Representative to the U.S. *me.*

This memorandum will provide some background on Fernand Spaak, with whom you are dining today.

1. Mr. Spaak was appointed Director of the EEC Delegation to the U.S., replacing Mr. Krag, on January 1st. He is the son of the late Belgian Prime Minister. A biographical note is attached. Before coming to Washington, Mr. Spaak was Director-General for Energy, at the European Commission. His assignment to the U.S. is intended to (a) give a more operational stance to the EEC Office in Washington and (b) to make room at the Energy Directorate for a U.K. national.
2. Mr. Spaak's assignment is part of a general re-shuffling of the key posts at the Commission. The post of Director-General for Industry has been vacant for two years, the Social Affairs Directorate is about to be vacated. And far more important still are the departures this year of two of the ablest directors, both in key spots: Edmund Wellenstein of External Relations (who becomes co-chairman of the Development Commission of the CIEC) and Ugo Mosca of Monetary and Financial Affairs. According to widespread rumors, there will be even more changes among the Commissioners. Aside from Henri Simonet (Energy), who is leaving for certain to go back into Belgian politics, Sir Christopher Soames (External Relations), Wilhelm Haferkamp (Finance and Economy), and two others may be leaving. The departures are due to the normal expiration of the terms of these Commissioners, but the Nine are expected to seize this opportunity to review the country distribution of the Commissioners' portfolio. This may also be a good opportunity for the Nine to decide whether the President of the Commission should have more influence on the choice of the Commissioners who, at present, are appointed directly by the member countries with a minimum of consultation among themselves.

Attachment

VMasoni:az

SPAACK, Fernand Paul Jules

Date of birth: 8.8.23

Place of Birth: Forest, Belgium

Nationality: Belgian

Docteur en droit de l'Universite de Bruxelles
Bachelor of Arts (Economics) - University of Cambridge

1950 - 1952 - National Bank of Belgium

1952 - 1960 - High Authority of the European
Coal and Steel Community

Luxembourg:

- Executive Assistant to President Jean MONNET
and to President Rene MAYER
- Director of the Cartels and Concentrations
Division

1960 - 1967 - EURATOM Brussels

- Director General of the Supply Agency

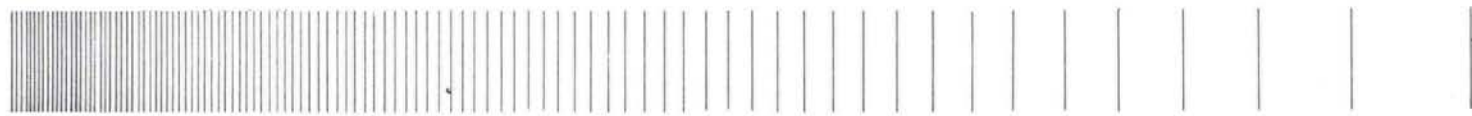
since 1967 - Commission of the European Communities, Brussels

- Director General of Energy

Spouse: Anne-Marie SPAACK

Three children: Marie, Isabelle, Virginie

transition



Changing the Guard

THE END-OF-THE-WAR PHOTOGRAPH OF VICTORIOUS AMERICAN and Russian soldiers shaking hands beside the Elbe, and no West Europeans in the picture. That image sticks out in Fernand Spaak's memory, as it did in his father's—a metaphor for a Europe which had lost control of its own destiny, at the mercy of outside forces. Thus Spaak, who in January succeeded Jens Otto Krag as head of the EC Commission's Washington delegation, has worked toward an independent, united Europe most of his life.

The son of one of the most illustrious figures of postwar Europe and one of the Community founders—Paul-Henri Spaak, who served as Belgian foreign minister and NATO secretary general—Fernand Spaak joined the European Coal and Steel Community (ECSC) when it was created in 1952. For two years he headed the ECSC's economic division, then spent four years as chief assistant to the president of the ECSC High Authority, first under Jean Monnet (often called the "father of Europe") and later Monnet's successor, René Mayer. From Monnet, Spaak learned: "Europe won't be perfect in the beginning; ideas must be shown to be workable. . . . And America, which shares Europe's basic values, has always been and will be important in building European unity and strength."

During World War II, following his escape from occupied Belgium in 1942, Spaak served for three years in the British Royal Navy. "Serving a different country," he says, "showed that the most important things were no longer national. . . . Nationality was less important than the world we wished to build." After the war, he earned a doctorate in law at the University of Brussels in 1948, and then returned to England to study at Trinity College, Cambridge University, where he was awarded a Bachelor of Arts degree in economics in 1950.

Spaak's Community career has focused on energy. He headed the European Atomic Energy Community's (Euratom's) supply agency and safeguards and controls direc-

torate, from 1960 to 1967, a time when Europe was laying the foundations for a nuclear energy program. And directly prior to his Washington appointment, Spaak served as EC director general for energy. His expertise in energy matters not only is topically important for his new Washington post but also has provided a close working relationship with American colleagues. "Euratom," he says, "was Europe's first working relationship with the United States in the industrial and technological sphere as an equal partner."

Spaak notes the different perspectives of Europe and the United States on nuclear energy: "For Europe there is no alternative for the development of domestic energy supplies. Either we import more oil or we develop nuclear en-



Spaak, new head of the EC Commission's Washington delegation.

ergy. Of course we must be careful about the risks."

The energy crisis is for Spaak "one of the best examples of the concept of growing interdependence." In particular, interdependence between the United States and Europe: "We have common values, but our environments are different. . . . It's good to put ideas to a test on both sides of the Atlantic, allowing friendly competition within different environments."

11.

OFFICE MEMORANDUM

TO: Files

DATE: July 12, 1976

FROM: William Clark *my*SUBJECT: Memorandum of Conversation with M. Cheysson - July 7, 1976

M. Claude Cheysson welcomed Mr. McNamara and thanked him for coming in at the end of a long day. He hoped that Mr. McNamara would pay a longer visit at some time either before or after Roy Jenkins took over as President.

M. Cheysson spoke about the extent of EEC development assistance which would increase very greatly as the Lomé Agreement came into effect. Already trade preferences affected 6.7.b SDR worth of trade with non-Lomé countries; this of course benefited the richer countries, Korea, Hong Kong, Brazil, Mexico rather than the poorest. The food policies of the EEC were still unclear and muddled. (They are not Cheysson's responsibility and he spoke little of them).

Mr. McNamara asked when the EEC really acted as a unit.

M. Cheysson replied that the EEC was not a federation, the members of the Eurocracy came from national units and had no real supranational loyalty, but tried to negotiate amongst themselves a common position. This is often notably in opposition to U.S. For instance at the Sixth Special General Assembly of the U.N. (April 1974) the EEC feared that U.S. was set on a confrontation course with the LDCs (plus OPEC). This was unacceptable to the EEC because it depended as to 75% on outside commodities compared with U.S. 15%. Also Europe realised that the poorer a country the less it has to lose by confrontation. So at U.N.S.G.A. 6 and 7 EEC spoke with united voice from its 9 microphones. At CIEC it had only one microphone and so the battles to produce an agreed line were (and are) behind the scenes and quite violent. At UNCTAD where the G.77 welcomed confrontation the EEC were divided because most could not accept the rather absurd commodity proposals, but some (e.g. Dutch) wanted to avoid a purely negative approach to 77. The Germans are always the most conservative in EEC and will remain so, but they cannot bear to be alone and so will always join a united 8.

* * * * *

M. Cheysson asked why the U.S. could not use the IBRD/IMF instead of inventing new Funds outside the U.N. such as IRB and IFAD. Mr. McNamara replied with an explanation of U.S. intra-mural fights and its fear of being permanently outvoted in the U.N. But U.S. would be quite glad to use IBRD/IMF except that it wants to get credit with 77 for its innovations. But U.S. would favour use of IBRD for administering both IRB and IFAD after strategic decisions on allocation of resources taken by the new institutions.

In discussion of the IRB both agreed it was not the answer to

major problems of poorest countries; nor was the Common Fund of the 77.

M. Cheysson said that the Stabex scheme had worked quite well. It did help especially the poorest, and would distribute some 71 m. SDRs this year in compensation for short falls in prices. Stabex was complementary to a world stabilisation (around market oriented prices) scheme.

Debt. M. Cheysson said Community position was quite good on this but was not tabled at Nairobi/UNCTAD because there was no serious discussion. It might come up at CIEC where the real problem of flows of resources would arise.

Mr. McNamara asked how CIEC was going. M. Cheysson replied that it would continue for years which was hopeful. Look at how Algeria, for instance, had fought to prevent a breakdown at UNCTAD which would have destroyed CIEC. The Paris talks would not move to confrontation they would simply break up first.

Flows. Mr. McNamara pointed out how much could be done to budget replenish the whole system IDB, ADB and IDA by very small cash flows. M. Cheysson agreed and made the point that Lomé was going to provide quite large flows up to 800 m. SDRs a year.

Relations with Bank. M. Cheysson said he wished to do a lot of co-financing with Bank, but was finding it increasingly difficult because the Bank was very chary of co-financing with EEC and Arab sources. Both agreed that any acceptance of the Arab boycott was impossible, but within that limitation both agreed to try and improve joint or parallel co-financing as proved best. (There was clearly some confusion in terminology at this point).

Neither M. Cheysson nor Mr. McNamara could understand what was in Giscard's mind about his West African initiative.

There was a similar mystification about the U.S. Investment Trust Fund.

cc: Mr. Colquhoun

WDClark:sf

Bruxelles, le 9 juillet 1976
Rec de la Loi, 200

Visite du Président de la Banque mondiale M. McNAMARA
le mercredi 7 juillet

Le Président McNAMARA a été en visite officielle en Belgique et à cette occasion a rendu visite à M. CHEYSSON. M. CHEYSSON a rappelé au Président que l'invitation qui lui avait été faite il y a un an tenait bien entendu et que cette visite était souhaitée par l'ensemble des Membres du collège.

M. McNAMARA s'est brièvement félicité de la bonne coopération qui existe entre la Commission et la Banque mondiale et a indiqué son désir de mieux connaître nos différentes politiques et nos méthodes d'action. Très brièvement M. CHEYSSON a rappelé au Président le rôle et les fonctions de la Commission, nos différentes politiques au niveau régional comme au niveau mondial et notre participation dans tous les grands fora internationaux traitant de ces problèmes.

M. CHEYSSON a posé un certain nombre de questions au Président concernant les sujets suivants :

- problème de la multiplicité des fonds nouveaux créés ou proposés

M. McNAMARA pense que les nombreuses propositions américaines tendant à créer des agences nouvelles sont faites pour des raisons essentiellement politiques afin de donner une meilleure image d'eux-mêmes. Concernant le FIDA, le Président indique qu'il est prêt à fournir toute l'assistance nécessaire, encore faudrait-il que les Américains sachent comment ils souhaitent administrer cette nouvelle agence. M. McNAMARA insiste sur l'organisation très vague du FIDA en général : comment les fonds vont-ils être alloués, dans quelle période ^{de} temps? C'est seulement quand les choses auront été clarifiées que la BIRD pourra, si cela est souhaité, intervenir.

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- concernant la banque de ressources : le Président de la BIRD constate que très peu de travail préparatoire au lancement du projet a été fait et, selon ses informations, Washington doit approfondir véritablement l'étude du projet depuis Nairobi. Là encore, M. McNAMARA est assez critique et déplore qu'à sa connaissance aucune étude approfondie n'ait été faite sur l'impact qu'aurait cette banque de ressources d'ici une dizaine d'années en terme de développement.

- matières premières : le Président pense que les pays en voie de développement n'ont pas renoncé à l'indexation du prix des matières premières et insiste, dès lors, sur la mise en place du fonds commun. Il partage le sentiment de M. CHEYSSON concernant le fonds commun : point de départ du raisonnement pour les PVD et point d'aboutissement sous forme de compensation pour les pays industrialisés, mais l'utilité de ce fonds commun est reconnue de part et d'autre.

Concernant la dette des pays en voie de développement, M. CHEYSSON rappelle la déclaration commune des Neuf à Nairobi qui suggère notamment en son point 7 qu'il soit fait appel à la Banque mondiale lorsqu'un problème de dette lié à une situation de balance de paiement se pose.

- sur le dialogue Nord/Sud, l'analyse de M. McNAMARA et CHEYSSON concorde : l'exercice très important durera longtemps, les négociations devraient maintenant s'engager étant entendu que la conclusion se placera souvent ailleurs, il convient de se concentrer sur quelques points après avoir tout étudié.

- aide au développement : Le Président fait preuve d'un certain optimisme quant à l'obtention de fonds publics supplémentaires (capital de la BIRD et des banques régionales, IDA). Il pense que ce sujet pourrait être discuté à Kléber et faire partie des négociations. M. McNAMARA rappelle que c'est dans l'année à venir que ces fonds publics supplémentaires devraient être mis à la disposition d'institutions comme la BIRD ; il centrera son discours de la prochaine Assemblée annuelle à Manille (octobre 1976) sur ce thème.

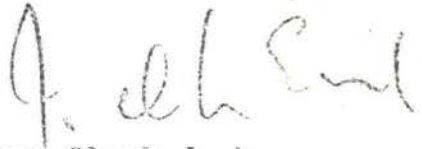
Le Président indique qu'une augmentation du capital de la Banque, même si elle est importante, et de l'ordre de 10 ou 20 milliards, a finalement des implications financières immédiates limitées compte tenu du capital effectivement payé qui est en général de l'ordre de 10 % et de l'échelonnement des paiements. Par contre, en termes d'opération, l'impact peut être très rapide notamment dans les pays en voie de développement relativement avancés. Le Président pense que la fin de la récession aux Etats-Unis et les élections clarifieront un peu la situation américaine et peuvent amener un assouplissement de l'attitude très négative du Gouvernement.

Le Président insiste sur le caractère très conservateur du Board de la Banque mondiale et de ses exigences : la Banque a accumulé 2 milliards de dollars en "retained earnings" l'année dernière et ses profits ont dépassé 200 millions. Par ailleurs, concernant IFC, qui est une institution qui par nature doit prendre des risques, elle ne dispose d'aucun soutien pour le placement de son "papier".

Quant à l'investment trust fund dont la création avait été envisagée auprès de l'IFC, rien n'a été fait de concret.

A la fin de l'entretien, M. CHEYSSON fait état de certaines difficultés dans les négociations que la Direction Générale du Développement a avec la Banque mondiale et les Fonds arabes lorsqu'il s'agit de co-financements. La présence des Arabes a quelque peu compliqué le travail et M. CHEYSSON indique que nos experts ont eu récemment l'impression que la BIRD devant ces difficultés envisageait de revenir à des formules de financement parallèle. M. McNAMARA est très clair sur ce point. La BIRD continue à souhaiter les co-financements dans toute la mesure du possible et c'est seulement lorsque les Arabes veulent imposer des clauses de boycott que la BIRD pourrait être amenée à renoncer au joint financing au profit du parallel financing. Le Président indique à M. CHEYSSON que si des difficultés de cet ordre avec le FED se renouvelaient, il souhaiterait que ce soit porté à son attention de manière précise.

Destinataires : MM. KROHN
FOLEY
HAUSWIRTH
DURJEX


Jean-Claude L. Durieux

me

Memorandum of Conversations at EEC, Brussels
April 4, 1977

First visit was to Haferkamp, the German Trade Unionist who was kept on under German pressure and took the place of External Relations from Soames which Ortolini wanted. It was not a very flowing conversation; Haferkamp has no real ease in English, and not much flair for international negotiation (which he tends to regard as Union bargaining).

We discussed:

- (1) the Unctad negotiations and the CIEC meeting. Haferkamp said they did not have much contact with Gamani Corea, but the EEC was moving towards the German position which would substitute a world Stabex scheme for the 77's Common Fund, but there would be something that could be called a Common Fund after negotiations on individual Commodity schemes (about \$2 billion).
- (2) Debt. Not a top priority of EEC, but he did wonder how the Banks could keep up their lending to LDCs. (Either he or I did not understand this problem).
- (3) Integration of new Members. Haferkamp said it would be a much slower process than the Mediterranean countries believed, or than the EEC could publicly admit. He hoped Greece, Spain, Portugal would be content with a long cooperative association, far short of full membership. (Turkey even further behind, he did not expect Norway to change its mind and join). From his side remarks I gathered that one of the important factors was to ensure that the cheap agriculture of these countries (e.g. olive oil) should not be allowed to upset the Common Agricultural Policy's high price system.
- (4) Haferkamp raised the matter of the Brandt Commission and said he was appointed by Willy Brandt, was a great admirer of his and thought the Commissioners would unanimously support the Commission and would wish to give some finance.

The second visit was with Claude Cheysson, who filled his room with staff but conducted the conversation entirely between himself and R. McNamara. They had matching styles, of very quick fire Q. & A. Cheysson was trying to confirm his impressions of where the Bank and R. McNamara stood - generally he was correctly informed (but I was struck by the need to keep him personally and face to face informed, so that

he can ask questions and get authoritative answers). Some points:

1. He hoped that there could be an increase in co-financing with Bank especially in Arab areas plus OAPEC finance. There should be much more finance available e.g. for Egypt by end of 1977.
2. Very small amount available for "non-associated territories" i.e. Indian sub-continent. Could Bank help EEC in its allocation of these sums.
3. Cheysson said that at last the world of OECD was coming to realise that the Third World was really running out of money - as a result of oil prices and recession. It was in Middle Income countries (Brazil not Germany) that we needed to grow to get out of recession. Where was the money to come from? R. McNamara replied that Commercial Banks in America would still expand their lending and the new Administration intended to use the IBRD/IMF to pump money into LDCs. Cheysson said this was good news since Raymond Barre was still only talking about "stabilising" imports from Third World rather than 'expanding'.
4. Cheysson asked about the status of IDA V and IBRD capital increase. R. McNamara replied that it was not past its legislative hurdles, and an endorsement by the Summit and the CIEC would be welcome and necessary.
5. CIEC. Cheysson said that if CIEC was to be publicly successful the G.19 must understand where the G.8 (OECD) was at. EEC was prepared to stabilise commodity earnings through Stabex. It was also prepared to increase the flow of resources for investment in development.
6. USSR. How could we challenge it to play its part in development? By starting our plans via Bank/Fund and getting the Russians to join.
7. Investment Bank for Resources. EEC does not like the half baked plan put forward at Nairobi, was the Bank trying to improve it? R. McNamara: Yes, but we had a financing problem not a philosophic problem. Yet the Bank is about to accept financing of oil, and doing the forecasting of prices and likely investment trends. So we could get it so that Bank and EEC protected very necessary investment on which they could bring in the Arabs.

Talk with Roy Jenkins in office and at lunch

Conversation in his office turned primarily on North South dialogue. Agreed there was need for a package deal including (an extra tranche for?) IDA; hope for public support for IDA from CIEC. Jenkins mentioned that Cheysson was very worried about the end of CIEC, how to make it seem a success especially if all the OECD cards were shown at the end of the summit; could we not keep something (e.g. the extra IDA tranche) secret until the CIEC meeting? (Incidentally Perez Guerrero told me all about the \$1 billion extra for IDA and debt several days ago so it is not a well kept secret).

At lunch we discussed the Brandt Commission. Cheysson was much opposed to any well known economist being on the Commission on the grounds he would put across his theory as the Commission's theory. Various names for Commissioners were put forward: Pierre Mendes France; Pierre Armel (Belgium); Alec Home and Reginald Maudling.

WDC:Clark:sf

VISIT TO EUROPE, April 3-6, 1977

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
April 3 Sun.	0800	1300	Depart Baltimore	AL410 (B-11) coach, non-stop
	0850	1350	Arrive New York (JFK)	
	1000	1500	Depart New York (JFK)	PA100 9 B-747), coach, one-stop, (London)
April 4 Mond.	0105	0005	Arrive Brussels	Hilton, single w/bath (Clark arrives 1920 on 4/3)
	1115		Depart hotel in EEC car	
	1130		Meeting with Mr. Haferkamp	EEC Headquarters
	1200		Meeting with Mr. Cheysson	" "
	1230		Meeting with President Jenkins	" "
	1300		Lunch with Messrs. Jenkins, Ortoli and Cheysson	" "
	1500		Depart for airport in EEC car	
	1605	1405	Depart Brussels	HN386 (caravelle) coach, non-stop
	1650	1450	Arrive Amsterdam	Amstel, single w/bath
	1900		Mr. Pronk will meet you in hotel lobby and take you to dinner	
April 5 Tues.	0810	0610	Depart Amsterdam	KL323 (DC-9) coach, non-stop
	0910	0710	Arrive Paris (de Gaulle) <i>Bus from Jarkia</i>	Plaza Athenee, single w/bath (Bank car will pick you up at airport)
	1000		ACC meeting, Conference Room 4	UNESCO Headquarters
	1300		Lunch hosted by Mr. M'Bow	" "
	1500		ACC meeting <i>Meet Mary Williams</i>	" "
	1930		Dinner with Smith - meet at Plaza Athenee	
April 6 Wed.	0805	0605	Depart Paris (de Gaulle)	AF760 (B-727) coach, non-stop
	0805	0705	Arrive Dusseldorf	Fritz Fisher, Mr. Brandt's personal assistant will meet you and drive to Bonn (approximately 100 km.)
	1100		Meeting with Brandt <i>Chagnak</i>	
	1200		Depart for Dusseldorf by car	<i>LH 408</i>
	1340 1420	1320	Depart Dusseldorf <i>Chagnak</i>	BE635 (Trident) coach, non-stop
	1535	1435	Arrive London (Heathrow)	
	1615		Depart London (Heathrow)	
	1700	1600	Depart London (Heathrow)	TW701 (B-707) coach, non-stop
	1900	2400	Arrive New York (JFK)	
	2145	0245	Depart New York (JFK)	<i>NA 425</i> AL336 (Convair) coach, non-stop
2249	0349	Arrive Baltimore <i>Wash DCA</i> <i>r DAB</i>		

SB
March 31, 1977

cc: Mrs. McNamara, Mr. Knapp

3555 Bp + 800

4/3 To Baltimore airport 8.00
Airfare pens 2.75
Misc. 2.85

4/4 Remains - taxi to hotel (1070) 17.00
Hotel (1170) (1970) } 55.50
Breakfast (470)

4/5 Hotel (990 Bp + 20.) 48.00
Taxi 4.
Taxi 3.75
Taxi 5.45
Dinner (Van Rensselaer - v) 51.00

4/6 Hotel (180 Bp + 114) 15.
Food 2.
Taxi - JFK 22.5

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MEMORANDUM FOR THE RECORD

Meeting with Mr. Meyer, European Community, May 16, 1978

Present: Messrs. McNamara, Meyer, Knapp

Mr. Meyer said that the Lome II negotiations would take place in July 1978 and were expected to be completed by Spring 1979. Ratification would take one year. The basic idea was to consolidate Lome I, emphasize investment conventions and stabex, and aim at the same amounts in real terms as Lome I plus some amounts for the newcomers. Mr. McNamara asked for the EC's view of the Lome Convention and beyond that was also considered for all LDCs. However, the African countries had not yet considered the obligations under such an agreement which aimed at nationalization only with compensation and free transfer of profits. It was not clear yet whether sanctions against violations and arbitration provisions would be built into the Lome Convention. Such provisions were of particular importance for mineral investments.

Mr. McNamara enquired about the position of EC governments on human rights provisions. Mr. Meyer replied that the UK, Denmark, the Netherlands and Ireland were advocates of a strong human rights provision under the Lome Convention. France was hostile to such an approach and Germany favored a preamble statement. Belgium was undecided. Mr. McNamara enquired about the standards and criteria to be applied. Mr. Meyer replied that violations would be dealt with on a case-by-case basis. There would be a public statement in the case of gross violators. Only basic human rights (integrity of the person) and not political rights (e.g., freedom of the press, free elections) would be considered, following the 1948 UN Articles on Human Rights. The machinery for implementing a human rights policy was lacking. He therefore believed that the human rights provision of the Lome Convention would be only a political signal. Mr. Knapp enquired about the legal implications of human rights violations for resource transfer. Mr. Meyer said that the ACPs had no claim on pre-established amounts. In case Lome II included a human rights provision, it would be the first time in history that human rights entered into an economic treaty.

CKW
May 26, 1978

OFFICE OF THE PRESIDENT

Meeting with Mr. Foley, European Community, May 30, 1979

Present: Messrs. McNamara, Foley, Pirzio-Birolli, Chaufournier

Mr. Foley briefed Mr. McNamara on the present status of the negotiations on the Lome Convention. The remaining key issue was the size of the cake. The EC had offered UA5.1 billion over five years which did not constitute an increase in real terms. The LDCs had asked for UA10 billion; however, he was confident that the negotiations would be successfully concluded within the next few weeks. It had been unfortunate that the negotiations took place at the time of change in government in Great Britain. In response to a question, Mr. Foley said that one compromise would be to hold to the amount offered by the EC but to shorten the period.

Mr. McNamara said that this was a tough time to negotiate any financing of aid. This was particularly true in the case of the U.S. where the mood in Congress was very bad as to any expenditure. President Carter was blamed for many difficulties and had been weakened in the process. However, the Bank was making progress on its IDA VI replenishment and general capital increase.

Mr. Foley reported that he had had good talks with Bank staff on future cooperation. Mr. McNamara said that he was delighted to hear that.

Mr. McNamara enquired about the role of the European Parliament to be elected, particularly its degree of control over the Commission. Mr. Foley responded that it would be very interesting to see the relationship between the Parliament and the Commission evolving. He had great hopes for the future of the European institutions. Mr. McNamara said that the European Parliament would have some very good members, particularly from Germany and France.

CKW
June 5, 1979

Meeting with European Parliamentarians, February 6, 1980

Present: Messrs. McNamara, Walther Hofer (Swiss), Jakob Aano (Norwegian), Baeza Marton (Portuguese), Claude Dejardin (Belgian), Jan Mangelschots (Belgian), Frederik Porthoine (Dutch), Theoharis Rendis, (Greek), John van Waterschoot (Belgian)

The meeting was mainly a question and answer session. The questions by the Parliamentarians related to: (a) problems presently facing the Bank, particularly in the field of resource transfer to LDCs, (b) Bank projections and assumptions with regard to further oil price increases, (c) Mr. McNamara's evaluation of the results of the Brandt Commission, (d) the alleged absence of moral standards in the Bank, exemplified, in the view of one Parliamentarian, by the Bank's past actions in the case of Chile, (e) the Bank's development philosophy, (f) the Bank's position on human rights, (g) Mr. McNamara's views on limitation of arms exports to LDCs, and (h) coordination between the Bank on the one hand and the ADB on the other.

In responding to these questions, Mr. McNamara explained the Bank's projections of current account deficits of LDCs caused by recent oil price increases and low OECD growth rates and he pointed to the need for finding means to finance those deficits in order to avoid serious political and humanitarian problems. He explained the proposed Bank policy initiative on structural adjustment lending. He said that he hoped for more gradual real oil price increases in the future and, as recommended by the Brandt Commission, for an agreement among oil producers and consumers on future energy-related action. He strongly rejected any questioning of the Bank's morality and pointed to the example of the Bank's poverty program. As to the case of Chile, he said that the Bank had not followed U.S. policy and had simply arrived at the conclusion that President Allende was bankrupting his country. He emphasized that politics did not play a role in the Bank and that the civil rights concept of human rights did not enter into Bank deliberations. As to Bank philosophy and basic human needs, he explained the Bank's policy of raising the productivity of low-productivity elements of poor societies and of ensuring an equitable distribution of low-cost public services. He stated that the Bank did not have sufficient leverage to limit arms expenditure of LDCs and arms exports to LDCs and he reminded the Parliamentarians that this was a very difficult issue as exemplified by the case of the recent Tanzanian/Kenyan war. Finally, he pointed out that the Bank had no control over the IDB and the ADB but consulted with them regularly.

Mr. Hofer invited Mr. McNamara to address the Council of Europe in Strasbourg. Mr. McNamara said that he would be happy to do so.

OFFICE MEMORANDUM

TO: Mr. Caio K. Koch-Weser, EXC
FROM: H. Golsong, Associate General Counsel
SUBJECT: Parliamentarians' Visit

DATE: March 4, 1980

Following is the list of Parliamentarians who participated in a meeting with Mr. McNamara:

Professor Walther HOFER, President, Swiss, Union
Démocratique du Centre

Jakob AANO, Norwegian, Christian

Baeza MARTON, Portuguese, Socialist

Claude DEJARDIN, Belgian, Socialist

Jan MANGELSCHOTS, Belgian, Socialist

Frederik PORTHEINE, Dutch, Liberal

Thecharis RENDIS, Greek, New Democracy

John VAN WATERSCHOOT, Belgian, Christian Democratic

OFFICE OF THE PRESIDENT

Meeting with Mr. Cheysson, March 28, 1980

Present: Messrs. McNamara, Cheysson, Pierini, Buchbender, Pirzio-Birolli,
of European Community

Mr. Cheysson had the following questions and made the following points:

- (a) After two days of discussions with the U.S. Government, he was very confused about the foreign aid situation in this country.
- (b) He would like to know whether the Bank was considering a special facility for the financing of energy development in LDCs, or whether an autonomous facility was required in order to get OPEC to participate, as Mr. Henry Owen had argued.
- (c) He was surprised that the U.S. was opposed to the inclusion of consideration of external balances problems in an agenda for the North/South dialogue, which would also deal with energy and food security; apparently, the State Department was afraid to take a position on the external balances issues because of the Administration's problems with Congress.
- (d) In his view, the Brandt Report did not contain many new ideas but presented a useful set of recommendations; he had told Willy Brandt that he was opposed to the idea of a world development fund because he was against the creation of new institutions.
- (e) He enquired about the Bank's reaction to the Brandt Commission's proposal of changing the Bank's gearing ratio and whether a resulting, substantially increased lending program would not overburden the machinery of the Bank.
- (f) He had advised Willy Brandt to have his report discussed in the European Parliament and every national parliament. Also, labor unions should take it up.
- (g) The second Lome Convention had now been signed; it increased commitments by 75% in present dollars which was a major accomplishment in a time of tension.
- (h) He hoped that Zimbabwe would apply for Lome membership and that this would also change the relationship of the EEC with Angola and Mozambique. Zimbabwe might well be interested in joint projects with South Africa and other sources of foreign capital, e.g., the EC and the Bank. He would recommend that Lome support such a policy of stabilizing the South African region with support of the Government of the Republic of South Africa.
- (i) Lome II had a special facility for mining and energy development but the EC had no expertise in these areas. He was therefore grateful for the Bank's support.

Mr. McNamara explained the status of discussion of the Bank's proposed structural adjustment lending. He argued that in energy financing the major constraint was at present not a new facility but technical expertise; France and the U.S. were supporting the idea of a new facility because they were looking for something attractive for the Summit meeting. There were no limitations on the Bank's energy operations neither in terms of budget nor capital; rather it was a

problem of absorptive capacity. He had suggested to Mr. Owen that the Bank first stand back and analyze its initial experience before embarking on new initiatives. With regard to a change in the Bank's gearing ratio, he urged Mr. Cheysson to endorse the idea; since the Bank was now at a point where there would be no support for a further capital increase, a change in the gearing ratio was the approach to take. The resulting increase in Bank lending would not overburden the Bank; rather, the real issue was whether such a change in the gearing ratio would impair the Bank's capacity to service its bonds. This issue had to be addressed skillfully. He agreed with Mr. Cheysson that it would be a good idea to have the Brandt Commission Report discussed by the European Parliament and national parliaments. In view of Mr. Cheysson's forthcoming visit to Zimbabwe, he suggested that Mr. Cheysson tell President Mugabe that the Bank could be of assistance.

CKW
April 3, 1980

OFFICE OF THE PRESIDENT

Meeting with Mr. Claude Cheysson, Commissioner, European Economic Community,
September 28, 1980

Present: Messrs. McNamara, Cheysson, Pirzo-Biroli, Pierini, Vincent, Benjenk

Mr. McNamara opened the meeting expressing his greatest concern over the PLO issue, which he said catches the Bank and the Fund at a most inadequate time when they should be moving forward quickly with respect to the problems of insufficient financial resources. According to the Bank's lending program established in January 1977, the commitments planned for FY85 would amount to some \$20 billion, which compares with FY80 commitments of \$12 billion. However, since this lending program was approved, many things have happened and it is now totally inadequate. Four main reasons account for this inadequacy: (i) an inflation rate higher than had been anticipated; (ii) a current account deficit in developing countries largely in excess of earlier expectations and requiring additional structural adjustment lending; (iii) the impact of the oil price increases, especially in oil-importing countries, and the need for additional lending for energy development; and (iv) China becoming a member of the Bank and having a claim on Bank financing. In total, these four factors would mean additional requirements of some \$10 billion annually. In front of this situation, the UK is cutting its aid program, the U.S. is running behind in fulfilling its commitments, Canada has all sorts of domestic problems, and the Arab countries of OPEC won't even talk to the Bank. The Bank does have to find some way in which to move forward. Mr. McNamara asked Mr. Cheysson to think about these problems and tell him at some point what he believes the Bank ought to do in view of this situation. To illustrate the nature of the problem, Mr. McNamara said that, if an agreement could be reached on changing the Bank's gearing ratio, the Bank could obtain \$80 billion "at the stroke of a pen."

Mr. Cheysson expressed his belief that there is a need to mobilize political support. As an example, he mentioned what he had been able to achieve with the European Parliament over a ten-month period. The European Parliament had been the scene of a constructive debate gradually moving from the problems of hunger in developing countries, to those of rural development, then to the area of trade policies between industrialized and developing countries, finally to matters of internal policies for the European countries (e.g., food production policies). Mr. Cheysson said that he was impressed with the degree of awareness which developed with the majority of parliament members as a result of the debate. He said that he thought emotion was a good starting point to promote the political mobilization which he feels is indispensable. Two or three key issues, e.g., hunger and energy, may be enough to trigger this emotion in parliamentary circles. He added that he thought political pressure should be expressed in summit meetings, such as that recently held in Venice. In his view, the "political stars" of the world should be committed to the development efforts. In particular, it is indispensable to enter in a dialogue with oil-producing countries, not only from a political viewpoint, but also from the economic one. OPEC should be called on to offer its views on global economic strategies. Such a dialogue is certainly difficult to initiate, however, because of the very different socio-economic characteristics and interests of the various countries, e.g., Saudi Arabia and Mexico.

As an illustration of his point, Mr. Cheysson reported on his separate talks with the Presidents of Venezuela and Mexico. Their main preoccupation is security. They are not so much interested in money but rather in long-term

arrangements with the industrialized nations: firm contracts for food and equipment, joint ventures, etc. One of the main problems at this time, therefore, is establishing a link between adjustment policies at home (i.e., in the industrialized nations) and industrialization abroad.

Mr. McNamara agreed that efforts should be made to mobilize public opinion in the industrialized countries. He also agreed that summits like the one held in Venice could bring positive results. Mr. Cheysson stressed again that "we have been out of focus with OPEC," blaming them for their apparent lack of development assistance. The problem is rather that they do not take sufficient responsibility in world affairs. Mr. McNamara agreed. He suggested that somebody should spend time separately and systematically with leaders of the OPEC countries and this process of establishing a dialogue with them should be initiated before the next summit of heads of states. The question, however, is who could do such a job. To Mr. Cheysson who suggested that Europeans might be in a better position in that respect than Americans, Mr. McNamara put the question of whether he (Mr. Cheysson) would be willing to do it. Mr. Cheysson answered that they could discuss the matter, including names of potential personalities, during the forthcoming Tidewater meeting in Kuwait.

Mr. Cheysson then mentioned the specific example of the recent initiative of Venezuela and Mexico to provide assistance to Caribbean and Central American countries for their oil imports. He said that they should be congratulated for this initiative. Mr. McNamara agreed and then added that the difficulty is to "universalize" this type of undertaking, and in particular to get OPEC countries to do more than they are presently doing. Mr. Cheysson gave the example of the EEC which is gradually entering into more cofinancing arrangements, e.g., with the Mexicans, as in the case of the airport in Grenada, to Mr. Lopez-Portillo's greatest satisfaction since it undermined Cuban efforts to move financially into that island.

Turning to the present situation in Africa, Mr. Cheysson expressed his deep concern, with his feeling that Africa is indeed in "very bad shape." He attributed the main reasons for the situation to serious problems in the managerial capacity of most African countries. Mr. McNamara agreed, adding that macro-economic policies, or the lack thereof, were also largely responsible for the situation. Mr. Cheysson commented that the problems were probably worse in French-speaking countries. In his view, during the colonial period, most administrators never paid attention to the economic problems because trade was largely left to the private companies. After independence, these companies became state-run enterprises which quickly suffered from corrupt management. He concluded by saying, however, that everything possible should be done to help these countries. In particular, it is important to send good professionals to assist them in the management of their economies. Mr. McNamara commented that some of these countries (e.g., Zaire) do not even want the Bank to assist them. He said that the Bank is ready to move as soon as they request Bank assistance.

OL
October 9, 1980

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: Roger Chaufournier *Rc*
SUBJECT: Visit of Mr. Claude Cheysson

DATE: March 27, 1980

I had dinner with Claude Cheysson last night. He told me he would see you Friday. He is not going to confront you with any problem; he will tell you about his views on a number of questions relating to the North South dialogue, to the need for recycling funds from capital surplus countries and to the relations between the Community and Africa, particularly Zimbabwe, where he is going next week at the invitation of President Mugabe.

He is publicly very supportive of the Bank, which he thinks should play an increasingly greater role, as he opposes the creation of new institutions. On the other hand he is vocally critical of the Fund on conditionality. He thinks the Fund is insensitive to the specific constraints facing individual countries and advocates uniform formulas which cripple development. While he agrees with conditionality as a general proposition, he is not willing to support it when it comes to specific cases.

3/27
On the whole, he thinks the Special Action Fund arrangements worked reasonably well; he has been annoyed however at what he thinks is an insensitivity on our part, at understanding the Community's preoccupations for its own relations with member countries. He is unlikely to raise this question and, if it comes up he is likely to say that problems of this kind are to be expected in relations between different institutions which have their own specific constraints.

