

INVESTMENT & BUSINESS

City Editor

Andreas
Whittam Smith

Daily Telegraph
City Office

110 Queen Victoria Street
London EC4P 4BS
Tel: 01 - 353 4242

Rotberg's greatest challenge

THE INTERNATIONAL Bank for Reconstruction and Development, otherwise known as the World Bank has loaned \$116 billion over the 40 years of its existence to aid developing nations achieve industrialised status.

Eugene H. Rotberg, the World Bank's treasurer, has overseen the borrowing of the vast majority of that sum from the private capital markets of Europe and the Far East where he is as at home as he is on Wall Street.

One of the marks of Mr Rotberg's innovative style is that the bank carries less than \$7 billion of the current \$48 billion in undisbursed loan commitments in American dollars.

This has made the man and his bank a recognised force for more than a decade in the principal world money centres where sterling, Deutschmarks and Yen denominated loans are syndicated.

Mr Rotberg's greatest challenge lies ahead. James Baker, Treasury secretary proposes that a massive flow of new development cash be channelled to the

15 largest third world debtor countries with the World Bank as a focal point of the funding operation.

The Baker Plan calls on the commercial banking community to invest \$20 billion in new funds while the World Bank and other multilateral aid agencies equal that amount for new loan projects whose objectives are not just repaying old debts but fostering greater economic growth and export expansion.

Late last week Mr A. W. Clausen President of the World Bank, announced a pilot lending project for Ecuador and the Bank also is at work on a 400 million development loan expansion for Argentina. The task of raising the new sums needed falls on Mr Rotberg who is less worried about the mechanics of international finance as he is about the international political implications of what he sees as a new era in global moneyraising.

"The World Bank has scores of moneyraising vehicles and tactics to help us act as an intermediary between those who have wealth and those who do not. The bank can borrow at fixed rates, for one day or perpetually, in Deutschmarks, yen and Swiss francs and change them a week later into guilders, sterling and dollars.

"The importance of this litany of what you can do in the world market today is not in finance but in world politics. The implications are massive because it means that countries, unlike even five years ago, can finance their own needs with some other country's money. Having done that they can turn it around into a third country's money. It also means that equity and debt investment are no longer the prerogative and in the control of the central banks or the ministries of finance

"There already has been and will continue to be an enormous explosion in both risk and potential for development in industrialised countries and in some but not all developing countries. That is a geopolitical-sovereignty question, a question of how you control money supply, fiscal policy, one's own national sovereignty and political economy and growth. A nation state no longer has control over its own savings.

"The proliferation of communications links, technology and financial engineering has become an issue that explodes way beyond the mere use of finance. It is a subject which will have a significance as great as the industrial revolution and the managerial revolution of the 1900s. The world is just beginning to describe what is happening and very few people have begun to describe what the political implications are for future decades.

James Srodes

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