The United Nations

World Bank Energy Affiliate— an idea whose time may come

by Gayle Herchak

The United States' reluctance, so far, to participate in the World Bank's proposed energy affiliate has frustrated attempts to get the program off the ground. But judging by the enthusiasm the proposal sparked among both oil-producing and non-producing countries, the program is not likely to die on the drawing board.

Robert McNamara, former President of the Washington-based World Bank, introduced the idea of an energy affiliate last year, as a way to help developing countries find domestic energy sources. It is believed that if Third World nations develop their own sources of energy, they can reduce oil imports that have put many of them deeply into debt. According to the Bank, the developing countries in 1980 spent approximately $50 billion on oil imports. These imports draw heavily on the Third World's revenues. India, for example, last year spent almost 70 percent of its export earnings on oil imports.

McNamara's proposal, now promoted by his successor, A.W. 'Tom' Clausen, is supported by the major oil-exporting countries like Saudi Arabia and Kuwait, as well as most industrialized countries. In February 1981 a committee of World Bank members including the United States, Canada, West Germany, Japan, France, Britain, Brazil, Nigeria, India, Saudi Arabia and Kuwait met to study the proposal.

The United States was expected to contribute $250 million in paid-in capital to the $25-billion project. Yet, shortly after Ronald Reagan became President, the U.S. announced it would not participate in the program. One of the main reasons for its decision is thought to be the Reagan administration's commitment to an overall reduction in government expenditures. The 25 percent reduction in foreign aid announced by Secretary of State Alexander Haig will especially affect multilateral organizations such as the World Bank. (The United States currently spends less than .3 percent of its Gross National Product (GNP) on aid.)

Another factor contributing to the Americans' hesitation regarding the energy affiliate is the suspicion growing among 'Reaganites' that the World Bank essentially espouses the socialist doctrine among its client countries. With a staff of approximately 5,000 people, managing more that $12 billion in loans last year alone, the Bank is one of the largest and perhaps the most influential international organization in the world. It is responsible for providing financial assistance and economic advice to 100 developing countries with a combined population of some 3.5 billion people.

During his 12-year presidency, McNamara shifted the Bank's emphasis from programs and investments geared to maximize the rate of overall economic growth to those projects, primarily in agriculture, which would achieve a more equitable growth. A number of conservatives in the United States fear that the Bank, through such schemes, weakens the private sector in the Third World. American oil companies, in particular want the opportunity to explore for possible oil and gas reserves in the developing countries, something they may not have if Third World governments are given the same opportunity through the World Bank's energy affiliate.

Serious blow

The American refusal to participate in the energy affiliate dealt the proposal a serious blow, since the U.S. is the Bank's major contributor. Yet with countries like Saudi Arabia and Kuwait, (which each allocate more than 12 percent of their GNP to aid) which are strongly interested in the affiliate, it is possible the program could still get off the ground.

About the only stipulation these countries have placed on their possible participation is a demand for a stronger voice in the World Bank. While the U.S. is reluctant to agree to the restructuring of the voting system in the Bank — which now gives it the dominant say — it is believed that eventually the U.S. will be left with little choice but to go with the majority's view. With the major oil-exporting countries increasingly playing a larger role in the world financial community, the U.S. is losing its footing as a leading financier.

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