

The World Bank in Chile

The World Bank the other day approved a \$33 million copper development loan for Chile, thus endorsing the curious U.S. penchant for propping up dictatorial and oppressive governments.

My Washington Star colleague, Mary McGrory, reported that an effort by a group of eight American citizens to talk World Bank President Robert S. McNamara out of the commitment was to no avail. *

McNamara told the group that the loan was being made on "purely economic grounds," and that to refuse it would be a "political" act forbidden by the bank charter. But how, then, does one explain the bank's cold shoulder to the Marxist Allende government?

The fact about this latest effort to stabilize the present authoritarian regime in Chile is that there is considerable nose-holding in the bank over it.

Many nations, it is true, fear a precedent leading to politicization of the bank. "If this loan were to be barred on political grounds," says a high U.S. official, "then you could challenge a dozen World Bank

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loans on human rights issues."

However, in the Chilean loan case, countries with about 35 per cent of the bank's voting power abstained, and 4 per cent (representing the Nordic countries) voted against the loan. And the basic reason for most of this near 40 per cent opposition relates to serious doubts about the credit-worthiness of the Chilean military junta.

The most recent Chilean economic statistics published by the International Monetary Fund show an inflation rate so steep that it runs off the charts. On a base of 1970 equal to 100, the consumer price index ran up to 874 at the approximate time of the Allende assassination, Sept. 11, 1973.

In 1974, under the junta, the index number skyrocketed to 5,797, and in October 1975 hit an unbelievable 38,101. That's an increase of 38,000 per cent since 1970.

This correspondent can report that when the discussion of the loan came up at the bank's board of directors' meeting, McNamara had to admit that the present Chilean government is not in good shape.

But he argued that the bank could take the risk, in view of the much more extensive commitments made to Chile by the United States and other lenders. He then went on to deplore the opposition to the loan, which he said would demonstrate a division in the board "harmful" to the bank.

That there is political opposition to the Chilean junta—which the British have labeled "uncivilized"—can hardly be denied. One regrets only that the United

States, which did all it could to bring down the Allende regime, does not acknowledge officially the brutalities of the current junta.

But McNamara chose to ignore the concerns of a number of Western European countries. They pointed out that the current Chilean government had not improved its balance of payments situation. Exports are falling and imports are rising. Chile has been forced, therefore, to ask other lenders to re-schedule its debt payments.

Putting those considerations together, the opposing countries suggested McNamara should wonder whether Chile might not soon be forced to ask for a delay in repayment of existing World Bank loans.

McNamara's backers scoff at what they call a rationalization by the political opposition.

But even the supporters of the loan privately admit that if the Chilean junta were not so blatantly vicious, the bank might be more generous. The \$33 million, they stress, is just a drop in the bucket.

This very assessment, however, proves that political considerations already intrude. If the main worry is that an effort to protect human rights in Chile would force the bank to protect human rights elsewhere, is that so bad? That shocks the banking instinct: It would transform the World Bank into a different institution. Well, if so, so be it.