

**INCOMING TELEGRAM**

*Department of State*

32-H

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Action

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EJR

FROM: BONN

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PRIORITY

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REFERENCE: EMBASSY TELEGRAM 2651, MAY 26, 1959.

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MET AT LENGTH YESTERDAY WITH SENIOR ECON MINISTRY OFFICIALS, FOLLOWING ERHARD'S DEPARTURE FOR USA, TO ASCERTAIN POSITION HE WILL PRESENT JUNE 4-5 ON LESS DEVELOPED COUNTRIES, INCLUDING IDA.

RMR

ECON MIN HAS GIVEN INTENSIVE STUDY PAST TEN DAYS TO IDA PROPOSAL AS TENTATIVELY SKETCHED BY US GOVT. ERHARD HAS TAKEN SOME PART, AND IS BEING BRIEFED ON WORKING-LEVEL DISCUSSIONS. MINISTRY SUPPORTS IDA PROPOSAL IN THE MAIN, WITH SOME RESERVATIONS ON POINTS REQUIRING FURTHER STUDY. INTER-MINISTERIAL MEETING AT OFFICIAL LEVEL HELD MAY 29 APPARENTLY RAN INTO ENOUGH OPPOSITION SO THAT IT PROVED IMPOSSIBLE REACH AGREEMENT. INTER-MIN TALKS BROKEN OFF UNTIL AFTER ERHARD'S RETURN.

OWING DIFFERENCES BETWEEN IDA AND EITHER IBRD OR NATIONAL PROGRAMS INVOLVING ONLY CONTINGENT LIABILITIES, GERMANS CONSIDER ANY CONTRIBUTION TO CAPITAL IDA WOULD REQUIRE FULL BUDGETARY COVER. FIN MIN SO FAR WITHHOLDING APPROVAL IN VIEW BUDGETARY IMPACT BELIEVED BE OF RECURRING NATURE. ECON MIN PLANNING EXPOSE FIN MIN ETZEL TO EUGENE BLACK WHEN LATTER CONVERSATION VEERED TO TWIN PROBLEMS ERHARD CURRENTLY EMPHASIZING, AS REPORTED REFTEL, OF ACHIEVING GREATER DEGREE COMMITMENT OF AID-RECEIVING COUNTRY TO FOLLOW SOUND ECONOMIC POLICIES, AND OF IMPROVING SUBSTANTIALLY COORDINATION BETWEEN CREDIT-GIVING COUNTRIES. BECAME APPARENT THAT THESE TWO POINTS NOT UNRELATED TO IDA DECISION. HINTED THAT SUPPORT OF FEDERAL

BANK

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-2-2709, JUNE 3, 10 AM, FROM BONN

BANK AND FIN MIN COULD BE FACILITATED IF IDA COULD SOMEHOW BE COUPLED WITH UNDERTAKING SEEK MEET GERMAN SUGGESTIONS THESE POINTS.

AS NOW SEEN BY ECON MIN, REQUIRED "COORDINATION" LIES IN THREE FIELDS: (1) EXCHANGE OF INFO AMONG CREDITOR COUNTRIES AND INSTITUTIONS ON CREDIT OPERATIONS; (2) SIMILAR EXCHANGE ON REPAYMENT CAPACITY LDC'S; (3) CRITICAL ANALYSIS OF DEVELOPMENT PLANS OF LDC'S. THEY BELIEVE IBRD WELL-SUITED CENTRALIZE AND COLLATE (1) AND (2) BUT HAVE NO SUGGESTION YET FOR (3). ERHARD IS EXPECTED PRESENT THESE COORDINATION PROBLEMS IN WASH BUT OFFERS NO PROPOSAL FOR SOLUTION.

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