

Herald INTERNATIONAL Tribune.

BUSINESS / FINANCE

**World Bank Is a Global Bellwether
Huge Investment Portfolio Sways Financial Markets**

By John M. Berry
Washington Post Service

WASHINGTON — Operating from its headquarters in northwest Washington, the World Bank now has \$61 billion in loans outstanding to developing countries and has committed itself to lend another \$44 billion.

Those loans, their terms, their purposes and the periodic struggles to get more capital from the bank's member nations are what usually focus public attention on the bank.

But financial markets around the globe watch the World Bank for other reasons. Its presence in some markets is so large that its investment choices visibly move those markets.

The bank's investment section, headed by Treasurer Eugene H. Rotberg, has a reputation for such rigorous analysis of the way that interest rates are likely to change that other analysts look to its transactions for clues about how best to position their own investments.

Currently, Mr. Rotberg expects interest rates to rise, and has locked the bank into low borrowing costs for as long as possible. During the bank's 1986 fiscal year, which ended June 30, it borrowed no medium- or long-term money except at fixed interest rates, and it lengthened the average maturity of its \$71 billion worth of debt from 8.6 years to 12.6 years.

That debt makes the 40-year-old institution the largest non-sovereign borrower of money in the world, owing investors in many countries a total of about \$71 billion.



Eugene H. Rotberg

But the bank also has a \$20-billion, highly liquid, frequently traded investment portfolio, probably the largest anywhere not held by a government or a central bank.

Finally, the bank's borrowings, loan disbursements and investment activities occur in so many different currencies that it has become an important player in foreign-exchange markets.

In fiscal 1986, Mr. Rotberg said, "We acted as if the dollar would become stronger and rates would be higher within the next year or so." The bank concentrated on borrowings denominated in Deutsche marks and Japanese yen, using instruments with longer maturities.

The World Bank borrows money somewhere in the world on an average of every other day

to supplement the small base of usable capital provided by member governments. While the 150 nations have pledged to provide nearly \$67 billion to the bank, they have been required to pay in only \$5.8 billion, and \$1.7 billion of that is not really available because of restrictions on its use placed by the governments that provided it.

The U.S. share of the paid-in capital is about \$1.3 billion. The remainder of the pledged capital is supposed to be available if the bank calls for it, and is used as a kind of guarantee to back the bank's borrowing.

During the 1986 fiscal year, ending June 30, it borrowed \$10.6 billion worth of funds in 16 currencies, issuing in exchange a variety of securities with maturities up to 40 years. Some of the proceeds were used to pay off the bank's own maturing debt, fund new loans and add to its huge pool of liquid assets.

The bank's biggest impact on financial markets, according to a number of market analysts, is through its active management of those liquid assets, most of which are shorter-term U.S. government securities. To obtain the highest possible return, the bank's \$20 billion of liquid assets were so actively traded in the past fiscal year that portfolio transactions hit \$4 trillion, the bank reported recently.

A small group of traders of about 10 nationalities and working in a windowless trading room at the bank's headquarters were responsible for those transac-

See WORLD BANK, Page 13