The original documents are located in Box 1, folder "8/14/74 S2665 US Contribution to the International Development Association" of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

Exact duplicates within this folder were not digitized.

APPROVED
AUG 14 1974

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

AUG 9 1974

Posted 8/14
To archives 8/15

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2665 - U. S. contribution to the International Development Association
Sponsor - Sen. Fulbright (D) Arkansas

Last Day for Action

August 14, 1974 - Wednesday

Purpose

Authorizes total appropriations of $1.5 billion for the U. S. contribution to the Fourth Replenishment of the Resources of the International Development Association; permits U. S. citizens to hold and deal with gold; and directs the U. S. Governor to the Association to vote against proposed assistance to any country which develops a nuclear explosive device unless that country becomes a party to the Treaty on the Non-Proliferation of Nuclear Weapons.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of State	Approval
Agency for International Development	Approval
Department of Commerce	Approval
Arms Control and Disarmament Agency	Approval
National Security Council	Approval
Council on International Economic Policy	No objection (Informally)
Securities and Exchange Commission	No comment
Federal Reserve System	No recommendation

Discussion

The International Development Association (IDA), a World Bank affiliate, is the world's largest single source of multilateral development finance for lending on concessionary or easy payment terms. The Association's resources, derived from contributions of member countries and transfers from the World Bank, are used to provide credit to the poorest developing countries to finance high priority development projects and programs. Established in 1960, in large part due to initiatives by the United States, the IDA has received strong U. S. support ever since.

S. 2665 incorporates an Administration proposal to provide for continued United States' participation in the Association. As requested, the enrolled bill would authorize, without fiscal year limitation, total appropriations of $1.5 billion for the U. S. contribution to the Fourth Replenishment of the Resources of the Association. Under the bill, however, funds would be authorized for appropriation, not in a lump sum as requested, but in four annual installments of $375 million each. Because other nations, Germany and Japan in particular, have substantially increased over previous amounts their contributions to this Fourth Replenishment of IDA's resources, the U. S. share has been reduced from its traditional 40% to 33 1/3% of the total replenishment.

The enrolled bill would also amend the Par Value Modification Act (P.L. 93-110) to permit U. S. citizens to hold, sell, purchase or otherwise deal with gold as of December 31, 1974, or "at any time, prior to such date that the President finds and reports to Congress that international monetary reform shall have proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position." That Act currently prohibits U. S. citizens from owning and dealing with gold unless the President makes the kind of determination described above. It does not prescribe a specific date when private ownership of gold shall be legalized in the absence of a Presidential determination as the enrolled bill would do.

With regard to the provisions on gold, S. 2665 further provides that no law in effect on the date of enactment of the Par Value Modification Act and no rule, regulation, or order in effect on the date that private ownership of gold is legalized may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold in the United States or abroad. In its enrolled bill letter, Treasury states that:

> "While it is clear that the purpose of the provision as enacted is to eliminate the present restrictions on gold ownership and prevent their reimposition, this provision might, in light of the legislative history, further be interpreted as prohibiting all regulation of gold transactions, even when such regulation is applicable to other commodities and does not single out gold. Since this Department is of the view that the President must have the same authority to regulate gold as he has to regulate other commodities -- and that this might be especially important in an emergency situation -- the Department is presently considering whether it would be appropriate to seek remedial or clarifying legislation giving the President such authority."

Furthermore, the Treasury letter notes that although Secretary Simon has expressed the hope that the present restrictions on gold ownership can be removed before the December 31 date set by the bill, he would not hesitate to ask Congress for a delay beyond that date if economic circumstances were to make it necessary.

In its enrolled bill letter, the Federal Reserve System states:

> "A continuation of U. S. participation in providing financial support for IDA at this time is in the U. S. interest, and I support that part of the bill. On the other hand, there are significant risks -- unsettlement in financial markets, pressure on the

> dollar in exchange markets -- associated with allowing private ownership of gold at this time. I therefore believe that the portion of the bill referring to gold regulations is unfortunate. If the President does sign the bill, it will be important to monitor developments carefully in financial markets in the months prior to the date (December 31, 1974) that the termination of regulations on private gold ownership takes effect. Should market reactions to the prospect or the fact of termination of restrictions on private gold ownership prove to be significantly adverse, it may be necessary to recommend that the President submit legislation that would repeal the relevant part of S. 2665."

Section 3 of the enrolled bill would require the United States Governor to the Association to vote against assistance proposed for any country which develops a nuclear explosive device and does not become a party to the Treaty on Non-Proliferation of Nuclear Weapons. State believes that this provision "will not induce additional ratifications of the Treaty but will, on the other hand, weaken United States influence regarding World Bank lending to India." Citing the importance of U. S. participation in the Fourth Replenishment of IDA's resources, however, State recommends approval of the bill. Similarly, AID recommends approval of S. 2665 despite its objections to this provision. AID notes that while this section would bind only the U. S. Governor with his 25 percent vote, thus not by itself preventing IDA loans to any country, it would put the U. S. Government in the unfortunate position of "opposing assistance to a country which, because of its economic circumstances, may soon face calamitous famine."

While AID's enrolled bill letter recommends a signing statement to point out the objections to section 3, the Agency has withdrawn informally this recommendation. Under present circumstances, AID considers it more appropriate to deal with their concerns outside of the context of your action on S. 2665.

Director

Enclosures

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

AUG - 1974

Director, Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Attention: Assistant Director for Legislative Reference

Sir:

Your office has asked for the views of this Department on the enrolled enactment of S. 2665, "To provide for increased participation by the United States in the International Development Association and to permit U.S. citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad."

The enrolled enactment would authorize the United States Governor of the International Development Association to agree on behalf of the United States to pay four annual installments of $375 million each as the United States contribution to the Fourth Replenishment of the Resources of the Association and would authorize the appropriation without fiscal year limitation of four annual installments of $375 million each for that purpose. It would also direct the United States Governor to vote against loans to any country which develops any nuclear explosive device unless the country is or becomes a State Party to the Treaty on the Non-Proliferation of Nuclear Weapons.

In addition, the enrolled enactment would permit American citizens to purchase, hold, sell or otherwise deal with gold, beginning on December 31, 1974, or at any time prior to that date that the President finds and reports to the Congress that international monetary reform has proceeded to a point where elimination of regulations on private ownership of gold would not adversely affect the international monetary position of the United States. The enrolled enactment would further provide that no provision of law in effect on the date of enactment of the Par Value Modification Act and no rule, regulation, or order in effect when private ownership of gold is legalized may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold in the United States or abroad.

The meaning and intent of the last-mentioned provision is not absolutely clear. It is similar to a provision contained in Public Law 93-110, which was amended by the House of Representatives when it first passed S. 2665. The House version deleted the provision which stated that laws in existence at the time of enactment of the Par Value

Modification Act could not be interpreted to prohibit any person from dealing with gold but retained the provisions relating to rules, regulations, and orders. The House Report explained the change as follows:

> "Subsection (b) would make a change in the present Section 3(b) of the Par Value Modification Act. That law would provide that no law in existence at the time of effectiveness of the Par Value Modification Act may be construed to prohibit the use or ownership of gold. This formulation would put gold in a special position not applicable to any other commodity and exempt gold from regulations to which any other commodity might be subject. For example, in a national emergency, the President could regulate the holding or transfer of any commodity in which any foreign country or foreign national had an interest. It would be anomalous, indeed, if the President could regulate other commodities in an emergency but he could not regulate gold. The existing Par Value Modification Act clearly goes beyond what is necessary to eliminate the present restrictions on gold ownership and creates a serious loophole which could endanger the country's financial security at some future time." (H. Rept. No. 93-1142, p. 15).

While it is clear that the purpose of the provision as enacted is to eliminate the present restrictions on gold ownership and prevent their reimposition, this provision might, in light of the legislative history, further be interpreted as prohibiting all regulation of gold transactions, even when such regulation is applicable to other commodities and does not single out gold. Since this Department is of the view that the President must have the same authority to regulate gold as he has to regulate other commodities -- and that this might be especially important in an emergency situation -- the Department is presently considering whether it would be appropriate to seek remedial or clarifying legislation giving the President such authority.

With regard to the timing of legalizing the private ownership of gold, Secretary Simon has expressed the hope that the present restrictions on gold ownership can be removed before the December 31 date set by the bill. However, as indicated by Secretary Simon, if economic circumstances were to make it necessary, he would not hesitate to ask Congress for a delay beyond that date.

In spite of the reservations we have noted relating to the gold provisions of S. 2665, the Department recommends that the enrolled enactment be approved by the President.

Sincerely yours,

Richard R. Albrecht

General Counsel

DEPARTMENT OF STATE

Washington, D.C. 20520

AUG 1 - 1974

Honorable Roy L. Ash
Director, Office of
Management and Budget
Washington, D.C.

Dear Mr. Ash:

The Department of State actively supported and welcomes the passage of the legislation introduced by the Administration authorizing a United States contribution to the Fourth Replenishment of the International Development Association. We are concerned, however, about Section 15 of S.2665 added by the House of Representatives, which directs the United States governor to vote against credits proposed for countries developing nuclear explosive devices unless they become a party to the Treaty on the Non-Proliferation of Nuclear Weapons. We believe this Section will not induce additional ratifications of the Treaty but will, on the other hand, weaken United States influence regarding World Bank lending to India.

Despite our reservations about Section 15, we are convinced that United States participation in the Fourth Replenishment is important for foreign policy and development reasons. Therefore, the Department recommends approval of S.2665.

Cordially,

Linwood Holton

Linwood Holton
Assistant Secretary
for Congressional Relations

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

August 7, 1974

Mr. Wilfred H. Rommel
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Rommel:

This responds to your August 1, 1974 request for comments on S.2665, an Enrolled Bill.

A.I.D. has objections to Section 3 of the Enrolled Bill but recommends that it nevertheless be signed by the President with a statement of objection.

Section 3, which dictates how the Executive Branch must vote on certain loans proposed for approval by the Board of Governors of IDA, without reference to the passage of time or changing circumstances, is an undue restraint on Executive Branch flexibility to adjust to changing international conditions.

Section 3 is inconsistent with the Administration's position of support for economic assistance to India, one of the less developed countries most seriously affected by the recent steep price increases in oil and other basic commodities.

Section 3 is the precursor to S.3627, a bill prohibiting foreign assistance to India until India become a signatory to the Non-Proliferation Treaty, which is before the Senate Foreign Relations Committee and H.R. 15537, its companion bill now before the House Foreign Affairs Committee. The act of signing this Enrolled Bill should not be allowed to signify acceptance of the principle underlying section 3.

On the other hand, whatever signals Presidential signature may entail with respect to the pending legislation certainly are not significant enough to warrant the veto of the IDA appropriations. The proposed new section would bind only the U.S. Governor with his 25 percent vote. It does not by itself prevent IDA loans to any country. Representative Long of Maryland said when he introduced the provision, "All my amendment does is put America on record against nuclear proliferation." Unfortunately, it simultaneously puts the U.S. Government on record of opposing assistance to a country which, because of its economic circumstances, may soon face calamitous famine.

A.I.D. recommends the President issue a statement of objection to the proposition of section 3 when he signs this Enrolled Bill.

A draft statement for the President is enclosed.

Sincerely yours,

Arthur Z. Gardiner, Jr.
General Counsel

Enclosure

Draft Statement for the President

I have today signed S.2665, providing for participation by the United States in the fourth replenishment of funds for the International Development Association, in spite of my objections to Section 3 of the bill which directs the United States representative on the Board of Governors of the Association to vote against any loan to a country which develops any nuclear explosive device without becoming a party to the Treaty on Non-Proliferation of Nuclear Weapons.

The International Development Association is a principal instrumentality through which the developed countries of the world, including the United States, provide economic assistance to the poorest nations, in particular those most seriously affected by the recent drastic increases in the price of raw materials including oil. The International Development Association is an important mechanism for equitably sharing the burden of providing such economic assistance among the developed countries. The United States' share of the fourth replenishment is one-third of the total, down from the forty percent share which the United States has traditionally provided.

My Administration is committed to the policy of nuclear nonproliferation and is taking steps through various diplomatic channels to increase membership in the Treaty on the Non-Proliferation of Nuclear Weapons. However, we do not believe the desperate plight of hungry, poor people should be used as a tool of our commitment to the goal of nonproliferation. We believe that automatically negative votes by the United States in the International Development Association can decrease our bargaining power to achieve our nonproliferation objective.

Our foreign assistance policy is based on our historic traditions of compassion for the neediest and our own interests in the world community achieving stability by overcoming the struggle against hunger, disease and poverty. The IDA appropriation is an important step in advancing these objectives.

In light of the importance of extending our participation in the International Development Association, I have signed S.2665, but with serious reservations and objections to the attempt to freeze inflexibly the voting position of the Executive Director to reflect a policy with which my Administration does not agree.

THE ASSISTANT SECRETARY OF COMMERCE
Washington, D.C. 20230

AUG 7 1974

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Ash:

This is in reply to your request for the views of this Department concerning S. 2665, an enrolled enactment

> "To provide for increased participation by the United States in the International Development Association and to permit United States citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad."

This Department recommends approval by the President of S. 2665.

Enactment of this legislation will not involve any expenditure of funds by this Department.

Sincerely,

Tilton H. Dobbin

Tilton H. Dobbin
Assistant Secretary for
Domestic and International
Business

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
WASHINGTON, D.C. 20451

August 5, 1974

The Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C.

Dear Mr. Ash:

You have requested our views and recommendations by August 5, 1974, on the enrolled bill for S. 2665 which provides for increased participation by the United States in the International Development Association and permits United States citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad. The act also adds a new section 15 to the International Development Association Act which would require the United States Governor to vote against any loan for the benefit of any country which develops a nuclear explosive device unless the country is or becomes a party to the Treaty on the Non-Proliferation of Nuclear Weapons.

While the subject matter of S. 2665 is essentially within the purview of the Department of State and other agencies, we have reviewed the comments on this act which the Department of State has prepared for you, and have found them acceptable from an arms control viewpoint.

Sincerely yours,

James L. Malone

James L. Malone
General Counsel

3236

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

August 2, 1974

MEMORANDUM FOR

WILFRED H. ROMMEL
ASSISTANT DIRECTOR FOR
LEGISLATIVE REFERENCE
OFFICE OF MANAGEMENT AND BUDGET

SUBJECT: Enrolled Bill S. 2665

We have reviewed the enrolled bill S. 2665 re the International Development Association Act and the purchase of gold by private citizens and we concur in this proposal.

James G. Barnes
Jeanne W. Davis for
Staff Secretary

OFFICE OF
THE CHAIRMAN

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AUG 8 1974

BY SPECIAL MESSENGER

Honorable Wilfred H. Rommel
Assistant Director for Legislative
Reference
Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Mrs. L. Garziglia
7201 New Executive Office Building

Re: Enrolled Bill S. 2665, 93rd Congress

Dear Mr. Rommel:

This is in response to your request of August 5, 1974 and will confirm the telephone report which Mr. Walter P. North of our staff conveyed on behalf of the Commission to Mr. George Gilbert of your staff on Wednesday, August 7, 1974 relating to Enrolled Bill S. 2665.

The bill will provide for increased participation by the United States in the International Development Association, and will permit United States citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad.

The bill does not appear to affect this Commission's administration of the federal securities laws or relate to matters on which this Commission has any special experience. Therefore, the Commission has no comment with respect to Enrolled Bill S. 2665, and takes no position with regard to what action the President should take on the bill. Nevertheless, we appreciate the opportunity to examine the bill and to comment on it.

Sincerely,

Ray Garrett, Jr.

Ray Garrett, Jr.
Chairman

CHAIRMAN OF THE BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

August 9, 1974

Dear Mr. Skidmore:

I am responding to your request for comments on S. 2665 -- the bill authorizing additional contributions to the International Development Association and requiring the termination as of December 31, 1974, of prohibitions on gold ownership by private U.S. citizens.

A continuation of U.S. participation in providing financial support for IDA at this time is in the U.S. interest, and I support that part of the bill. On the other hand, there are significant risks -- unsettlement in financial markets, pressure on the dollar in exchange markets -- associated with allowing private ownership of gold at this time. I therefore believe that the portion of the bill referring to gold regulations is unfortunate. If the President does sign the bill, it will be important to monitor developments carefully in financial markets in the months prior to the date (December 31, 1974) that the termination of regulations on private gold ownership takes effect. Should market reactions to the prospect or the fact of termination of restrictions on private gold ownership prove to be significantly adverse, it may be necessary to recommend that the President submit legislation that would repeal the relevant part of S. 2665.

Sincerely yours,

Arthur F. Burns

Mr. William V. Skidmore
Office of the Assistant Director
for Legislative Reference
Office of Management and Budget
Executive Office Building
Washington, D. C. 20503

THE WHITE HOUSE

WASHINGTON

August 12, 1974

MEMORANDUM FOR: MR. WARREN HENDRIKS

FROM: WILLIAM E. TIMMONS

SUBJECT: Action Memorandum - Log No. 503
Enrolled Bill S. 2665 - U.S. Contribution to the International Development Assn

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations.

Attachment

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 503

Date: August 12, 1974 Time: 9:00 a.m.

FOR ACTION: Fred Buzhardt
✓Bill Timmons

cc (for information): Warren K. Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Monday, August 12, 1974 Time: 2:00 p.m.

SUBJECT: Enrolled Bill S. 2665 - U.S. Contribution to the International Development Association

ACTION REQUESTED:

____ For Necessary Action

____ Prepare Agenda and Brief

____ For Your Comments

XX For Your Recommendations

____ Draft Reply

____ Draft Remarks

REMARKS:

Please return to Kathy Tindle
West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

AUG 9 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2665 - U. S. contribution to the International Development Association
Sponsor - Sen. Fulbright (D) Arkansas

Last Day for Action

August 14, 1974 - Wednesday

Purpose

Authorizes total appropriations of $1.5 billion for the U. S. contribution to the Fourth Replenishment of the Resources of the International Development Association; permits U. S. citizens to hold and deal with gold; and directs the U. S. Governor to the Association to vote against proposed assistance to any country which develops a nuclear explosive device unless that country becomes a party to the Treaty on the Non-Proliferation of Nuclear Weapons.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of State	Approval
Agency for International Development	Approval
Department of Commerce	Approval
Arms Control and Disarmament Agency	Approval
National Security Council	Approval
Council on International Economic Policy	No objection (Informally)
Securities and Exchange Commission	No comment
Federal Reserve System	No recommendation

Discussion

The International Development Association (IDA), a World Bank affiliate, is the world's largest single source of multilateral development finance for lending on concessionary or easy payment terms. The Association's resources, derived from contributions of member countries and transfers from the World Bank, are used to provide credit to the poorest developing countries to finance high priority development projects and programs. Established in 1960, in large part due to initiatives by the United States, the IDA has received strong U. S. support ever since.

S. 2665 incorporates an Administration proposal to provide for continued United States' participation in the Association. As requested, the enrolled bill would authorize, without fiscal year limitation, total appropriations of $1.5 billion for the U. S. contribution to the Fourth Replenishment of the Resources of the Association. Under the bill, however, funds would be authorized for appropriation, not in a lump sum as requested, but in four annual installments of $375 million each. Because other nations, Germany and Japan in particular, have substantially increased over previous amounts their contributions to this Fourth Replenishment of IDA's resources, the U. S. share has been reduced from its traditional 40% to 33 1/3% of the total replenishment.

The enrolled bill would also amend the Par Value Modification Act (P.L. 93-110) to permit U. S. citizens to hold, sell, purchase or otherwise deal with gold as of December 31, 1974, or "at any time, prior to such date that the President finds and reports to Congress that international monetary reform shall have proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position." That Act currently prohibits U. S. citizens from owning and dealing with gold unless the President makes the kind of determination described above. It does not prescribe a specific date when private ownership of gold shall be legalized in the absence of a Presidential determination as the enrolled bill would do.

With regard to the provisions on gold, S. 2665 further provides that no law in effect on the date of enactment of the Par Value Modification Act and no rule, regulation, or order in effect on the date that private ownership of gold is legalized may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold in the United States or abroad. In its enrolled bill letter, Treasury states that:

> "While it is clear that the purpose of the provision as enacted is to eliminate the present restrictions on gold ownership and prevent their reimposition, this provision might, in light of the legislative history, further be interpreted as prohibiting all regulation of gold transactions, even when such regulation is applicable to other commodities and does not single out gold. Since this Department is of the view that the President must have the same authority to regulate gold as he has to regulate other commodities -- and that this might be especially important in an emergency situation -- the Department is presently considering whether it would be appropriate to seek remedial or clarifying legislation giving the President such authority."

Furthermore, the Treasury letter notes that although Secretary Simon has expressed the hope that the present restrictions on gold ownership can be removed before the December 31 date set by the bill, he would not hesitate to ask Congress for a delay beyond that date if economic circumstances were to make it necessary.

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> "A continuation of U. S. participation in providing financial support for IDA at this time is in the U. S. interest, and I support that part of the bill. On the other hand, there are significant risks -- unsettlement in financial markets, pressure on the

dollar in exchange markets -- associated with allowing private ownership of gold at this time. I therefore believe that the portion of the bill referring to gold regulations is unfortunate. If the President does sign the bill, it will be important to monitor developments carefully in financial markets in the months prior to the date (December 31, 1974) that the termination of regulations on private gold ownership takes effect. Should market reactions to the prospect or the fact of termination of restrictions on private gold ownership prove to be significantly adverse, it may be necessary to recommend that the President submit legislation that would repeal the relevant part of S. 2665."

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While AID's enrolled bill letter recommends a signing statement to point out the objections to section 3, the Agency has withdrawn informally this recommendation. Under present circumstances, AID considers it more appropriate to deal with their concerns outside of the context of your action on S. 2665.

Director

Enclosures

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

AUG 9 1974

Director, Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Attention: Assistant Director for Legislative Reference

Sir:

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The enrolled enactment would authorize the United States Governor of the International Development Association to agree on behalf of the United States to pay four annual installments of $375 million each as the United States contribution to the Fourth Replenishment of the Resources of the Association and would authorize the appropriation without fiscal year limitation of four annual installments of $375 million each for that purpose. It would also direct the United States Governor to vote against loans to any country which develops any nuclear explosive device unless the country is or becomes a State Party to the Treaty on the Non-Proliferation of Nuclear Weapons.

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The meaning and intent of the last-mentioned provision is not absolutely clear. It is similar to a provision contained in Public Law 93-110, which was amended by the House of Representatives when it first passed S. 2665. The House version deleted the provision which stated that laws in existence at the time of enactment of the Par Value

Modification Act could not be interpreted to prohibit any person from dealing with gold but retained the provisions relating to rules, regulations, and orders. The House Report explained the change as follows:

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In spite of the reservations we have noted relating to the gold provisions of S. 2665, the Department recommends that the enrolled enactment be approved by the President.

Sincerely yours,

Richard R. Albrecht

General Counsel

DEPARTMENT OF STATE
Washington, D.C. 20520

AUG 1 - 1974

Honorable Roy L. Ash
Director, Office of
Management and Budget
Washington, D.C.

Dear Mr. Ash:

The Department of State actively supported and welcomes the passage of the legislation introduced by the Administration authorizing a United States contribution to the Fourth Replenishment of the International Development Association. We are concerned, however, about Section 15 of S.2665 added by the House of Representatives, which directs the United States governor to vote against credits proposed for countries developing nuclear explosive devices unless they become a party to the Treaty on the Non-Proliferation of Nuclear Weapons. We believe this Section will not induce additional ratifications of the Treaty but will, on the other hand, weaken United States influence regarding World Bank lending to India.

Despite our reservations about Section 15, we are convinced that United States participation in the Fourth Replenishment is important for foreign policy and development reasons. Therefore, the Department recommends approval of S.2665.

Cordially,

Linwood Holton

Linwood Holton
Assistant Secretary
for Congressional Relations

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

August 7, 1974

Mr. Wilfred H. Rommel
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Rommel:

This responds to your August 1, 1974 request for comments on S.2665, an Enrolled Bill.

A.I.D. has objections to Section 3 of the Enrolled Bill but recommends that it nevertheless be signed by the President with a statement of objection.

Section 3, which dictates how the Executive Branch must vote on certain loans proposed for approval by the Board of Governors of IDA, without reference to the passage of time or changing circumstances, is an undue restraint on Executive Branch flexibility to adjust to changing international conditions.

Section 3 is inconsistent with the Administration's position of support for economic assistance to India, one of the less developed countries most seriously affected by the recent steep price increases in oil and other basic commodities.

Section 3 is the precursor to S.3627, a bill prohibiting foreign assistance to India until India become a signatory to the Non-Proliferation Treaty, which is before the Senate Foreign Relations Committee and H.R. 15537, its companion bill now before the House Foreign Affairs Committee. The act of signing this Enrolled Bill should not be allowed to signify acceptance of the principle underlying section 3.

On the other hand, whatever signals Presidential signature may entail with respect to the pending legislation certainly are not significant enough to warrant the veto of the IDA appropriations. The proposed new section would bind only the U.S. Governor with his 25 percent vote. It does not by itself prevent IDA loans to any country. Representative Long of Maryland said when he introduced the provision, "All my amendment does is put America on record against nuclear proliferation." Unfortunately, it simultaneously puts the U.S. Government on record of opposing assistance to a country which, because of its economic circumstances, may soon face calamitous famine.

A.I.D. recommends the President issue a statement of objection to the proposition of section 3 when he signs this Enrolled Bill.

A draft statement for the President is enclosed.

Sincerely yours,

Arthur Z. Gardiner

Arthur Z. Gardiner, Jr.
General Counsel

Enclosure

THE ASSISTANT SECRETARY OF COMMERCE
Washington, D.C. 20230

AUG 7 1974

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Ash:

This is in reply to your request for the views of this Department concerning S. 2665, an enrolled enactment

> "To provide for increased participation by the United States in the International Development Association and to permit United States citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad."

This Department recommends approval by the President of S. 2665.

Enactment of this legislation will not involve any expenditure of funds by this Department.

Sincerely,

Tilton H. Dobbin

Tilton H. Dobbin
Assistant Secretary for
Domestic and International
Business

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
WASHINGTON, D.C. 20451

August 5, 1974

The Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C.

Dear Mr. Ash:

You have requested our views and recommendations by August 5, 1974, on the enrolled bill for S. 2665 which provides for increased participation by the United States in the International Development Association and permits United States citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad. The act also adds a new section 15 to the International Development Association Act which would require the United States Governor to vote against any loan for the benefit of any country which develops a nuclear explosive device unless the country is or becomes a party to the Treaty on the Non-Proliferation of Nuclear Weapons.

While the subject matter of S. 2665 is essentially within the purview of the Department of State and other agencies, we have reviewed the comments on this act which the Department of State has prepared for you, and have found them acceptable from an arms control viewpoint.

Sincerely yours,

James L. Malone

James L. Malone
General Counsel

3236

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

August 2, 1974

MEMORANDUM FOR

WILFRED H. ROMMEL
ASSISTANT DIRECTOR FOR
LEGISLATIVE REFERENCE
OFFICE OF MANAGEMENT AND BUDGET

SUBJECT: Enrolled Bill S. 2665

We have reviewed the enrolled bill S. 2665 re the International Development Association Act and the purchase of gold by private citizens and we concur in this proposal.

James M. Barnum
Jeanne W. Davis
Staff Secretary

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

OFFICE OF
THE CHAIRMAN

AUG 8 1974

BY SPECIAL MESSENGER

Honorable Wilfred H. Rommel
Assistant Director for Legislative
Reference
Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Mrs. L. Garziglia
7201 New Executive Office Building

Re: Enrolled Bill S. 2665, 93rd Congress

Dear Mr. Rommel:

This is in response to your request of August 5, 1974 and will confirm the telephone report which Mr. Walter P. North of our staff conveyed on behalf of the Commission to Mr. George Gilbert of your staff on Wednesday, August 7, 1974 relating to Enrolled Bill S. 2665.

The bill will provide for increased participation by the United States in the International Development Association, and will permit United States citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad.

The bill does not appear to affect this Commission's administration of the federal securities laws or relate to matters on which this Commission has any special experience. Therefore, the Commission has no comment with respect to Enrolled Bill S. 2665, and takes no position with regard to what action the President should take on the bill. Nevertheless, we appreciate the opportunity to examine the bill and to comment on it.

Sincerely,

Ray Garrett, Jr.

Ray Garrett, Jr.
Chairman

CHAIRMAN OF THE BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

August 9, 1974

Dear Mr. Skidmore:

I am responding to your request for comments on S. 2665 -- the bill authorizing additional contributions to the International Development Association and requiring the termination as of December 31, 1974, of prohibitions on gold ownership by private U.S. citizens.

A continuation of U.S. participation in providing financial support for IDA at this time is in the U.S. interest, and I support that part of the bill. On the other hand, there are significant risks -- unsettlement in financial markets, pressure on the dollar in exchange markets -- associated with allowing private ownership of gold at this time. I therefore believe that the portion of the bill referring to gold regulations is unfortunate. If the President does sign the bill, it will be important to monitor developments carefully in financial markets in the months prior to the date (December 31, 1974) that the termination of regulations on private gold ownership takes effect. Should market reactions to the prospect or the fact of termination of restrictions on private gold ownership prove to be significantly adverse, it may be necessary to recommend that the President submit legislation that would repeal the relevant part of S. 2665.

Sincerely yours,

Arthur F. Burns

Mr. William V. Skidmore
Office of the Assistant Director
for Legislative Reference
Office of Management and Budget
Executive Office Building
Washington, D. C. 20503

THE WHITE HOUSE

WASHINGTON

ACTION MEMORANDUM

LOG NO.: 503

Date: August 12, 1974

Time: 9:00 a.m.

FOR ACTION: ✓Fred Buzhardt no objection per phone
✓Bill Timmons

cc (for information): Warren K. Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Monday, August 12, 1974

Time: 2:00 p.m.

SUBJECT: Enrolled Bill S. 2665 - U.S. Contribution to the International Development Association

ACTION REQUESTED:

____ For Necessary Action

XX For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

____ For Your Comments

____ Draft Remarks

REMARKS:

Please return to Kathy Tindle
West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

To: Warren Hendriks 8-9-74

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

AUG 9 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2665 - U. S. contribution to the International Development Association
Sponsor - Sen. Fulbright (D) Arkansas

Last Day for Action

August 14, 1974 - Wednesday

Purpose

Authorizes total appropriations of $1.5 billion for the U. S. contribution to the Fourth Replenishment of the Resources of the International Development Association; permits U. S. citizens to hold and deal with gold and directs the U. S. Governor to the Association to vote against proposed assistance to any country which develops a nuclear explosive device unless that country becomes a party to the Treaty on the Non-Proliferation of Nuclear Weapons.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of State	Approval
Agency for International Development	Approval
Department of Commerce	Approval
Arms Control and Disarmament Agency	Approval
National Security Council	Approval
Council on International Economic Policy	No objection (Informally)
Securities and Exchange Commission	No comment
Federal Reserve System	No recommendation

THE WHITE HOUSE

WASHINGTON

ENROLLED BILL

SUBJECT: S. 2665 - U.S. Contribution to the International Development Association

Name	Approval	Date
Buzhardt	yes	
Timmons	yes	
Cole		

Comments:

THE WHITE HOUSE

WASHINGTON

8/9/74

TO: WARREN HENDRIKS

Robert D. Linder

Discussion

The International Development Association (IDA), a World Bank affiliate, is the world's largest single source of multilateral development finance for lending on concessionary or easy payment terms. The Association's resources, derived from contributions of member countries and transfers from the World Bank, are used to provide credit to the poorest developing countries to finance high priority development projects and programs. Established in 1960, in large part due to initiatives by the United States, the IDA has received strong U. S. support ever since.

S. 2665 incorporates an Administration proposal to provide for continued United States' participation in the Association. As requested, the enrolled bill would authorize, without fiscal year limitation, total appropriations of $1.5 billion for the U. S. contribution to the Fourth Replenishment of the Resources of the Association. Under the bill, however, funds would be authorized for appropriation, not in a lump sum as requested, but in four annual installments of $375 million each. Because other nations, Germany and Japan in particular, have substantially increased over previous amounts their contributions to this Fourth Replenishment of IDA's resources, the U. S. share has been reduced from its traditional 40% to 33 1/3% of the total replenishment.

The enrolled bill would also amend the Par Value Modification Act (P.L. 93-110) to permit U. S. citizens to hold, sell, purchase or otherwise deal with gold as of December 31, 1974, or "at any time, prior to such date that the President finds and reports to Congress that international monetary reform shall have proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position." That Act currently prohibits U. S. citizens from owning and dealing with gold unless the President makes the kind of determination described above. It does not prescribe a specific date when private ownership of gold shall be legalized in the absence of a Presidential determination as the enrolled bill would do.

With regard to the provisions on gold, S. 2665 further provides that no law in effect on the date of enactment of the Par Value Modification Act and no rule, regulation, or order in effect on the date that private ownership of gold is legalized may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold in the United States or abroad. In its enrolled bill letter, Treasury states that:

> "While it is clear that the purpose of the provision as enacted is to eliminate the present restrictions on gold ownership and prevent their reimposition, this provision might, in light of the legislative history, further be interpreted as prohibiting all regulation of gold transactions, even when such regulation is applicable to other commodities and does not single out gold. Since this Department is of the view that the President must have the same authority to regulate gold as he has to regulate other commodities -- and that this might be especially important in an emergency situation -- the Department is presently considering whether it would be appropriate to seek remedial or clarifying legislation giving the President such authority."

Furthermore, the Treasury letter notes that although Secretary Simon has expressed the hope that the present restrictions on gold ownership can be removed before the December 31 date set by the bill, he would not hesitate to ask Congress for a delay beyond that date if economic circumstances were to make it necessary.

In its enrolled bill letter, the Federal Reserve System states:

> "A continuation of U. S. participation in providing financial support for IDA at this time is in the U. S. interest, and I support that part of the bill. On the other hand, there are significant risks -- unsettlement in financial markets, pressure on the

> dollar in exchange markets -- associated with allowing private ownership of gold at this time. I therefore believe that the portion of the bill referring to gold regulations is unfortunate. If the President does sign the bill, it will be important to monitor developments carefully in financial markets in the months prior to the date (December 31, 1974) that the termination of regulations on private gold ownership takes effect. Should market reactions to the prospect or the fact of termination of restrictions on private gold ownership prove to be significantly adverse, it may be necessary to recommend that the President submit legislation that would repeal the relevant part of S. 2665."

Section 3 of the enrolled bill would require the United States Governor to the Association to vote against assistance proposed for any country which develops a nuclear explosive device and does not become a party to the Treaty on Non-Proliferation of Nuclear Weapons. State believes that this provision "will not induce additional ratifications of the Treaty but will, on the other hand, weaken United States influence regarding World Bank lending to India." Citing the importance of U. S. participation in the Fourth Replenishment of IDA's resources, however, State recommends approval of the bill. Similarly, AID recommends approval of S. 2665 despite its objections to this provision. AID notes that while this section would bind only the U. S. Governor with his 25 percent vote, thus not by itself preventing IDA loans to any country, it would put the U. S. Government in the unfortunate position of "opposing assistance to a country which, because of its economic circumstances, may soon face calamitous famine."

While AID's enrolled bill letter recommends a signing statement to point out the objections to section 3, the Agency has withdrawn informally this recommendation. Under present circumstances, AID considers it more appropriate to deal with their concerns outside of the context of your action on S. 2665.

(Signed) Roy L. Ash
Director

Enclosures

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 503

Date: August 12, 1974 Time: 9:00 a.m.

FOR ACTION: ✓Fred Buzhardt
Bill Timmons

cc (for information): Warren K. Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Monday, August 12, 1974 Time: 2:00 p.m.

SUBJECT: Enrolled Bill S. 2665 - U.S. Contribution to the International Development Association

ACTION REQUESTED:

___ For Necessary Action

___ Prepare Agenda and Brief

___ For Your Comments

XX For Your Recommendations

___ Draft Reply

___ Draft Remarks

REMARKS:

No objection
O.C.

Please return to Kathy Tindle
West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

AUG 9 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2665 - U. S. contribution to the International Development Association
Sponsor - Sen. Fulbright (D) Arkansas

Last Day for Action

August 14, 1974 - Wednesday

Purpose

Authorizes total appropriations of $1.5 billion for the U. S. contribution to the Fourth Replenishment of the Resources of the International Development Association; permits U. S. citizens to hold and deal with gold; and directs the U. S. Governor to the Association to vote against proposed assistance to any country which develops a nuclear explosive device unless that country becomes a party to the Treaty on the Non-Proliferation of Nuclear Weapons.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of State	Approval
Agency for International Development	Approval
Department of Commerce	Approval
Arms Control and Disarmament Agency	Approval
National Security Council	Approval
Council on International Economic Policy	No objection (Informally)
Securities and Exchange Commission	No comment
Federal Reserve System	No recommendation

Discussion

The International Development Association (IDA), a World Bank affiliate, is the world's largest single source of multilateral development finance for lending on concessionary or easy payment terms. The Association's resources, derived from contributions of member countries and transfers from the World Bank, are used to provide credit to the poorest developing countries to finance high priority development projects and programs. Established in 1960, in large part due to initiatives by the United States, the IDA has received strong U. S. support ever since.

S. 2665 incorporates an Administration proposal to provide for continued United States' participation in the Association. As requested, the enrolled bill would authorize, without fiscal year limitation, total appropriations of $1.5 billion for the U. S. contribution to the Fourth Replenishment of the Resources of the Association. Under the bill, however, funds would be authorized for appropriation, not in a lump sum as requested, but in four annual installments of $375 million each. Because other nations, Germany and Japan in particular, have substantially increased over previous amounts their contributions to this Fourth Replenishment of IDA's resources, the U. S. share has been reduced from its traditional 40% to 33 1/3% of the total replenishment.

The enrolled bill would also amend the Par Value Modification Act (P.L. 93-110) to permit U. S. citizens to hold, sell, purchase or otherwise deal with gold as of December 31, 1974, or "at any time, prior to such date that the President finds and reports to Congress that international monetary reform shall have proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position." That Act currently prohibits U. S. citizens from owning and dealing with gold unless the President makes the kind of determination described above. It does not prescribe a specific date when private ownership of gold shall be legalized in the absence of a Presidential determination as the enrolled bill would do.

With regard to the provisions on gold, S. 2665 further provides that no law in effect on the date of enactment of the Par Value Modification Act and no rule, regulation, or order in effect on the date that private ownership of gold is legalized may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold in the United States or abroad. In its enrolled bill letter, Treasury states that:

> "While it is clear that the purpose of the provision as enacted is to eliminate the present restrictions on gold ownership and prevent their reimposition, this provision might, in light of the legislative history, further be interpreted as prohibiting all regulation of gold transactions, even when such regulation is applicable to other commodities and does not single out gold. Since this Department is of the view that the President must have the same authority to regulate gold as he has to regulate other commodities -- and that this might be especially important in an emergency situation -- the Department is presently considering whether it would be appropriate to seek remedial or clarifying legislation giving the President such authority."

Furthermore, the Treasury letter notes that although Secretary Simon has expressed the hope that the present restrictions on gold ownership can be removed before the December 31 date set by the bill, he would not hesitate to ask Congress for a delay beyond that date if economic circumstances were to make it necessary.

In its enrolled bill letter, the Federal Reserve System states:

> "A continuation of U. S. participation in providing financial support for IDA at this time is in the U. S. interest, and I support that part of the bill. On the other hand, there are significant risks -- unsettlement in financial markets, pressure on the

> dollar in exchange markets -- associated with allowing private ownership of gold at this time. I therefore believe that the portion of the bill referring to gold regulations is unfortunate. If the President does sign the bill, it will be important to monitor developments carefully in financial markets in the months prior to the date (December 31, 1974) that the termination of regulations on private gold ownership takes effect. Should market reactions to the prospect or the fact of termination of restrictions on private gold ownership prove to be significantly adverse, it may be necessary to recommend that the President submit legislation that would repeal the relevant part of S. 2665."

Section 3 of the enrolled bill would require the United States Governor to the Association to vote against assistance proposed for any country which develops a nuclear explosive device and does not become a party to the Treaty on Non-Proliferation of Nuclear Weapons. State believes that this provision "will not induce additional ratifications of the Treaty but will, on the other hand, weaken United States influence regarding World Bank lending to India." Citing the importance of U. S. participation in the Fourth Replenishment of IDA's resources, however, State recommends approval of the bill. Similarly, AID recommends approval of S. 2665 despite its objections to this provision. AID notes that while this section would bind only the U. S. Governor with his 25 percent vote, thus not by itself preventing IDA loans to any country, it would put the U. S. Government in the unfortunate position of "opposing assistance to a country which, because of its economic circumstances, may soon face calamitous famine."

While AID's enrolled bill letter recommends a signing statement to point out the objections to section 3, the Agency has withdrawn informally this recommendation. Under present circumstances, AID considers it more appropriate to deal with their concerns outside of the context of your action on S. 2665.

Director

Enclosures

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

AUG 9 1974

Director, Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Attention: Assistant Director for Legislative Reference

Sir:

Your office has asked for the views of this Department on the enrolled enactment of S. 2665, "To provide for increased participation by the United States in the International Development Association and to permit U.S. citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad."

The enrolled enactment would authorize the United States Governor of the International Development Association to agree on behalf of the United States to pay four annual installments of $375 million each as the United States contribution to the Fourth Replenishment of the Resources of the Association and would authorize the appropriation without fiscal year limitation of four annual installments of $375 million each for that purpose. It would also direct the United States Governor to vote against loans to any country which develops any nuclear explosive device unless the country is or becomes a State Party to the Treaty on the Non-Proliferation of Nuclear Weapons.

In addition, the enrolled enactment would permit American citizens to purchase, hold, sell or otherwise deal with gold, beginning on December 31, 1974, or at any time prior to that date that the President finds and reports to the Congress that international monetary reform has proceeded to a point where elimination of regulations on private ownership of gold would not adversely affect the international monetary position of the United States. The enrolled enactment would further provide that no provision of law in effect on the date of enactment of the Par Value Modification Act and no rule, regulation, or order in effect when private ownership of gold is legalized may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold in the United States or abroad.

The meaning and intent of the last-mentioned provision is not absolutely clear. It is similar to a provision contained in Public Law 93-110, which was amended by the House of Representatives when it first passed S. 2665. The House version deleted the provision which stated that laws in existence at the time of enactment of the Par Value

Modification Act could not be interpreted to prohibit any person from dealing with gold but retained the provisions relating to rules, regulations, and orders. The House Report explained the change as follows:

> "Subsection (b) would make a change in the present Section 3(b) of the Par Value Modification Act. That law would provide that no law in existence at the time of effectiveness of the Par Value Modification Act may be construed to prohibit the use or ownership of gold. This formulation would put gold in a special position not applicable to any other commodity and exempt gold from regulations to which any other commodity might be subject. For example, in a national emergency, the President could regulate the holding or transfer of any commodity in which any foreign country or foreign national had an interest. It would be anomalous, indeed, if the President could regulate other commodities in an emergency but he could not regulate gold. The existing Par Value Modification Act clearly goes beyond what is necessary to eliminate the present restrictions on gold ownership and creates a serious loophole which could endanger the country's financial security at some future time." (H. Rept. No. 93-1142, p. 15).

While it is clear that the purpose of the provision as enacted is to eliminate the present restrictions on gold ownership and prevent their reimposition, this provision might, in light of the legislative history, further be interpreted as prohibiting all regulation of gold transactions, even when such regulation is applicable to other commodities and does not single out gold. Since this Department is of the view that the President must have the same authority to regulate gold as he has to regulate other commodities -- and that this might be especially important in an emergency situation -- the Department is presently considering whether it would be appropriate to seek remedial or clarifying legislation giving the President such authority.

With regard to the timing of legalizing the private ownership of gold, Secretary Simon has expressed the hope that the present restrictions on gold ownership can be removed before the December 31 date set by the bill. However, as indicated by Secretary Simon, if economic circumstances were to make it necessary, he would not hesitate to ask Congress for a delay beyond that date.

In spite of the reservations we have noted relating to the gold provisions of S. 2665, the Department recommends that the enrolled enactment be approved by the President.

Sincerely yours,

Richard R. Albrecht

General Counsel

DEPARTMENT OF STATE

Washington, D.C. 20520

AUG 1 - 1974

Honorable Roy L. Ash
Director, Office of
Management and Budget
Washington, D.C.

Dear Mr. Ash:

The Department of State actively supported and welcomes the passage of the legislation introduced by the Administration authorizing a United States contribution to the Fourth Replenishment of the International Development Association. We are concerned, however, about Section 15 of S.2665 added by the House of Representatives, which directs the United States governor to vote against credits proposed for countries developing nuclear explosive devices unless they become a party to the Treaty on the Non-Proliferation of Nuclear Weapons. We believe this Section will not induce additional ratifications of the Treaty but will, on the other hand, weaken United States influence regarding World Bank lending to India.

Despite our reservations about Section 15, we are convinced that United States participation in the Fourth Replenishment is important for foreign policy and development reasons. Therefore, the Department recommends approval of S.2665.

Cordially,

Linwood Holton

Linwood Holton
Assistant Secretary
for Congressional Relations

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D.C. 20523

August 7, 1974

Mr. Wilfred H. Rommel
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Rommel:

This responds to your August 1, 1974 request for comments on S.2665, an Enrolled Bill.

A.I.D. has objections to Section 3 of the Enrolled Bill but recommends that it nevertheless be signed by the President with a statement of objection.

Section 3, which dictates how the Executive Branch must vote on certain loans proposed for approval by the Board of Governors of IDA, without reference to the passage of time or changing circumstances, is an undue restraint on Executive Branch flexibility to adjust to changing international conditions.

Section 3 is inconsistent with the Administration's position of support for economic assistance to India, one of the less developed countries most seriously affected by the recent steep price increases in oil and other basic commodities.

Section 3 is the precursor to S.3627, a bill prohibiting foreign assistance to India until India become a signatory to the Non-Proliferation Treaty, which is before the Senate Foreign Relations Committee and H.R. 15537, its companion bill now before the House Foreign Affairs Committee. The act of signing this Enrolled Bill should not be allowed to signify acceptance of the principle underlying section 3.

On the other hand, whatever signals Presidential signature may entail with respect to the pending legislation certainly are not significant enough to warrant the veto of the IDA appropriations. The proposed new section would bind only the U.S. Governor with his 25 percent vote. It does not by itself prevent IDA loans to any country. Representative Long of Maryland said when he introduced the provision, "All my amendment does is put America on record against nuclear proliferation." Unfortunately, it simultaneously puts the U.S. Government on record of opposing assistance to a country which, because of its economic circumstances, may soon face calamitous famine.

A.I.D. recommends the President issue a statement of objection to the proposition of section 3 when he signs this Enrolled Bill.

A draft statement for the President is enclosed.

Sincerely yours,

Arthur Z. Gardiner

Arthur Z. Gardiner, Jr.
General Counsel

Enclosure

THE ASSISTANT SECRETARY OF COMMERCE
Washington, D.C. 20230

AUG 7 1974

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Ash:

This is in reply to your request for the views of this Department concerning S. 2665, an enrolled enactment

> "To provide for increased participation by the United States in the International Development Association and to permit United States citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad."

This Department recommends approval by the President of S. 2665.

Enactment of this legislation will not involve any expenditure of funds by this Department.

Sincerely,

Tilton H. Dobbin

Tilton H. Dobbin
Assistant Secretary for
Domestic and International
Business

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
WASHINGTON, D.C. 20451

August 5, 1974

The Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C.

Dear Mr. Ash:

You have requested our views and recommendations by August 5, 1974, on the enrolled bill for S. 2665 which provides for increased participation by the United States in the International Development Association and permits United States citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad. The act also adds a new section 15 to the International Development Association Act which would require the United States Governor to vote against any loan for the benefit of any country which develops a nuclear explosive device unless the country is or becomes a party to the Treaty on the Non-Proliferation of Nuclear Weapons.

While the subject matter of S. 2665 is essentially within the purview of the Department of State and other agencies, we have reviewed the comments on this act which the Department of State has prepared for you, and have found them acceptable from an arms control viewpoint.

Sincerely yours,

James L. Malone

James L. Malone
General Counsel

3236

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

August 2, 1974

MEMORANDUM FOR

WILFRED H. ROMMEL
ASSISTANT DIRECTOR FOR
LEGISLATIVE REFERENCE
OFFICE OF MANAGEMENT AND BUDGET

SUBJECT: Enrolled Bill S. 2665

We have reviewed the enrolled bill S. 2665 re the International Development Association Act and the purchase of gold by private citizens and we concur in this proposal.

James M. Barnes
Jeanne W. Davis
Staff Secretary

OFFICE OF
THE CHAIRMAN

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AUG 8 1974

BY SPECIAL MESSENGER

Honorable Wilfred H. Rommel
Assistant Director for Legislative
Reference
Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Mrs. L. Garziglia
7201 New Executive Office Building

Re: Enrolled Bill S. 2665, 93rd Congress

Dear Mr. Rommel:

This is in response to your request of August 5, 1974 and will confirm the telephone report which Mr. Walter P. North of our staff conveyed on behalf of the Commission to Mr. George Gilbert of your staff on Wednesday, August 7, 1974 relating to Enrolled Bill S. 2665.

The bill will provide for increased participation by the United States in the International Development Association, and will permit United States citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad.

The bill does not appear to affect this Commission's administration of the federal securities laws or relate to matters on which this Commission has any special experience. Therefore, the Commission has no comment with respect to Enrolled Bill S. 2665, and takes no position with regard to what action the President should take on the bill. Nevertheless, we appreciate the opportunity to examine the bill and to comment on it.

Sincerely,

Ray Garrett, Jr.

Ray Garrett, Jr.
Chairman

CHAIRMAN OF THE BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

August 9, 1974

Dear Mr. Skidmore:

I am responding to your request for comments on S. 2665 -- the bill authorizing additional contributions to the International Development Association and requiring the termination as of December 31, 1974, of prohibitions on gold ownership by private U.S. citizens.

A continuation of U.S. participation in providing financial support for IDA at this time is in the U.S. interest, and I support that part of the bill. On the other hand, there are significant risks -- unsettlement in financial markets, pressure on the dollar in exchange markets -- associated with allowing private ownership of gold at this time. I therefore believe that the portion of the bill referring to gold regulations is unfortunate. If the President does sign the bill, it will be important to monitor developments carefully in financial markets in the months prior to the date (December 31, 1974) that the termination of regulations on private gold ownership takes effect. Should market reactions to the prospect or the fact of termination of restrictions on private gold ownership prove to be significantly adverse, it may be necessary to recommend that the President submit legislation that would repeal the relevant part of S. 2665.

Sincerely yours,

Arthur F. Burns

Arthur F. Burns

Mr. William V. Skidmore
Office of the Assistant Director
for Legislative Reference
Office of Management and Budget
Executive Office Building
Washington, D. C. 20503

93D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 93-749

INCREASED U. S. PARTICIPATION IN THE INTERNATIONAL DEVELOPMENT ASSOCIATION

JANUARY 21, 1974.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. PATMAN, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H.R. 11354]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 11354) to provide for increased participation by the United States in the International Development Association, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

H.R. 11354 amends the International Development Association Act of 1960, as amended, to authorize the Secretary of the Treasury, in his capacity as the U.S. Governor of the International Development Association (hereinafter referred to as IDA), to agree on behalf of the United States to contribute $1.5 billion to IDA, as recommended in the "report of the Executive Directors to the Board of Governors on Additions to IDA Resources: Fourth Replenishment," (House Doc. 93-181). The bill also would authorize the appropriation, without fiscal year limitation, of $1.5 billion for payment by the Secretary of the Treasury for the United States share of the increase in the resources of the Association. The U.S. share would be one-third of the total, a substantial reduction from our previous share.

The purpose of this bill is to aid in the replenishment of the funds of IDA, which is the world's largest single source of multilateral development finance for lending on concessionary or easy payment terms. IDA provides credit on concessionary terms to finance high priority development projects and programs of the poorest of the developing countries.

By the end of June 1974, it is anticipated that IDA will fully commit all of its lendable funds. Replenishment of its resources, accordingly is necessary if IDA is to continue its lending activities. Its lending operations—which heavily emphasize social and economic improvement for urban poor, for small businessmen and for small farmers—would terminate at that time. Consequently, time is an important factor.

The United States has always supported IDA and has felt that it has been a major source in bringing economic development to the poorest of peoples. The U.S. contribution to IDA's Fourth Replenishment will strengthen this institution and allow it to continue its vital work. For every dollar the U.S. contributes to this replenishment of IDA, others will put up another two dollars.

Need for International Economic Cooperation

During public hearings before the International Finance Subcommittee of your Committee, the Secretary of the Treasury framed his support for IDA in terms of international economic cooperation and presented the following key points, which the Committee feels are especially noteworthy:

> Institutions such as IDA form a part of an international system of cooperation and agreed-upon rules of economic behavior, which we are attempting to improve and strengthen. A new international economic order—based on up-dated rules, international cooperation and a stronger institutional framework—is a basic part of creating a secure structure of peace.
>
> International monetary reform, international trade and investment, and improving the quantity and quality of international development assistance are all aspects of the same problem of constructing an endurable system of economic intercourse. Because they are inextricably linked, because we must negotiate in all these fields with the same countries and frequently with the same individuals, what the United States does or does not do in regard to sharing the international responsibility for assisting the developing nations will inevitably have a profound impact on what we are able to accomplish in the remaining fields. The stakes in monetary reform, trade and investment are simply too high for us to do less than is required in the area of development.
>
> Our relations with developing countries are important to the United States economically and politically. The developing countries provided a $14.6 billion market in 1972 for U.S. goods and services. In fact, as a group, they purchase more from us than we do from them.
>
> Perhaps more important, they provide us with one-third of our raw materials imports, and that proportion will only grow in the future. All nations are facing today the problems of inflation. More raw materials and products from the developing countries will help abate that problem. It makes good sense for us to utilize proven vehicles, such as the international development lending institutions, for aiding the growth of nations that are at the same time such important sources and markets for us. Our benefits need not be at the expense of others' losses, for with growth all parties can be better off.

Expropriation Policy

Last year when the Committee considered the legislation authorizing the U.S. contributions to the Third Replenishment of IDA, it expressed its concern with the trend toward increasing expropriation without compensation of American owned property overseas. The Committee added an amendment to the bill to ensure that the United States would vote in the multilateral development lending institutions against lending to countries that expropriate without taking appropriate steps to compensate. The Gonzalez Amendment was adopted by the Congress and now applies to United States votes in all the multilateral development lending institutions.

The Committee held a review with Secretary Shultz during his testimony regarding the United States experience with the Gonzalez Amendment. The Committee welcomes Secretary Shultz' firm position toward expropriation without appropriate compensation of American owned property overseas. The Committee believes that the Gonzalez Amendment has worked well to bring expropriating countries to the bargaining table and to assure just compensation. Moreover, the Committee is of the view that the Gonzalez Amendment provides sufficient flexibility to accomplish its objectives without undermining other U.S. foreign policy objectives.

For example, the Committee recognizes that a "no" vote could be avoided in those rare cases in which a U.S. firm has clearly failed to meet reasonable and legitimate obligations to the host country. Likewise, it is conceivable that a U.S. firm may have no real interest in an expropriated property, in which case no grievance would exist. The Committee expects that any such cases would be extraordinary and understands that the Treasury will consult with it well in advance whenever any such cases arise. The Committee will continue to monitor application of the expropriation policy provided in the Gonzalez Amendment.

Administration Consultation

The Committee notes the improved efforts of the Treasury to consult with it before undertaking new commitments to the multilateral lending agencies, and expects such efforts to continue in the future. The Committee also welcomes the efforts of the Treasury to keep it informed on events of importance affecting U.S. participation in these institutions.

Details of the IDA Replenishment

The Fourth Replenishment of IDA would be $4.5 billion in total new resources. These resources would be committed on development credits during the three-year period beginning July 1, 1974. From the viewpoint of burden-sharing, this replenishment is of particular interest to the United States in that there has been a substantial decline in the U.S. share—from 40% in the Third Replenishment to 33⅓% in the current one.

The Fourth Replenishment arrangements involve Part I member countries contributing the equivalent of $4,415.8 million to the Association in equal annual installments over a 3-year period, with the first installment to be paid on November 8, 1974. In addition, the arrangements provide for three Part II members (Israel, Spain and Yugoslavia) to contribute the equivalent of $19,333,000. Part I countries are donors, not eligible for IDA loans; Part II countries are recipients, eligible for IDA assistance. Finally the Swiss Government, which is not an IDA member, will provide $66,179,147. The proposed $4.5 billion represents a 55% increase over the Third Replenishment.

The new resources are intended for commitment by IDA during the period up to June 30, 1977. The projected commitment rate of $1,500 million compares with actual commitments averaging slightly under $800 million per year during FY 1969–73. Commitments of $1,357 million were made in FY 1973.

If the agreement among the major donor countries receives necessary legislative approval, IDA would receive new contributions at the rate of $1,500 million per year. Participation in the replenishment will allow the United States to make expanded development funds available within a multilateral framework. Participation on the proposed basis, moreover, will shift more of the burden of providing concessional development assistance to other developed countries than under previous replenishments. Two dollars of concessionary development assistance would be put up by others for every dollar put up by the United States, as compared with the 60–40 split in the previous replenishment. Replenishment of IDA on the basis proposed cannot come about without the participation of the United States.

Contributions agreed to for this replenishment of IDA resources are shown below:

	U.S. dollars (equivalent)
Part I countries:	
Australia	90, 000, 000
Austria	30, 600, 000
Belgium	76, 500, 000
Canada	274, 500, 000
Denmark	54, 000, 000
Finland	25, 200, 000
France	253, 545, 000
Germany	514, 500, 000
Iceland	1, 350, 000
Ireland	7, 500, 000
Italy	181, 350, 000
Japan	495, 000, 000
Kuwait	27, 000, 000
Luxembourg	2, 250, 000
Netherlands	132, 750, 000
New Zealand	11, 745, 000
Norway	49, 500, 000
South Africa	9, 000, 000
Sweden	180, 000, 000
United Kingdom	499, 500, 000
United States	1, 500, 000, 000
Part II countries:	
Israel	1, 000, 000
Spain	13, 333, 000
Yugoslavia	5, 000, 000
Switzerland	(1)
Total	4, 500, 000, 000

[1] It is expected that the outstanding balance of $66,179,147 will be covered by an interest free loan from the Swiss Confederation to be approved by the Swiss Federal Council and Parliament. Switzerland is not a member of IDA.

Background

The International Development Association, popularly called the soft loan window of the World Bank, formally came into existence as an affiliate of the World Bank in September 1960, commenced operations shortly thereafter, and made its first loan in mid-1961. Establishment of IDA was largely the result of international initiatives by the United States, undertaken against a background of strong expressions of support within the Congress.

Sixty-eight countries became initial members of the Association, and its membership has grown since to 112 countries. Since the time of its establishment, IDA members have been divided into two groups. The industrialized or wealthier members are in the category of "Part I" or donor countries, while the less developed members are categorized as "Part II" or recipient countries.

In the initial subscriptions to IDA, the Part I countries made contributions of about 75% of the total, while the Part II members contributed the remainder. In keeping with the goal of extending assistance to developing countries, Part II countries have not been required to participate in the successive replenishments.

As an affiliate of the World Bank, IDA benefits from the same high caliber management as the Bank itself and has the same Board of Governors and Board of Executive Directors as the Bank. The World Bank's President serves as Chairman of the IDA Executive Directors and as President of the Association. IDA has no staff separate from that of the Bank; its operations are carried out entirely by the Bank's regular staff.

IDA is the world's largest single source of multilateral development finance for lending on concessionary or easy repayment terms. IDA's credits are made for sound economic projects that measure up to the rigorous standards for loans offered by the World Bank itself. IDA, however, makes its loan funds available on unique terms that take into account the severely limited external debt servicing capacity of the poorer developing countries.

IDA's hard currency resources come primarily from budgetary contributions by the governments of its 21 economically advanced member countries (Part I members), together with contributions from a small group of the IDA less-developed countries and Switzerland. These countries have been making resources available at the rate of almost $1 billion per year (current dollars) for the last three years. Because of the terms on which it lends, IDA cannot expect to borrow in private capital markets, and repayments on outstanding credits will not be adequate for many years to support significant new lending.

Though IDA lending is directed at those countries with annual per capita incomes of $375 or below, funds are increasingly going to the poorest countries of this category. In 1973 the Executive Directors of IDA made a comprehensive review of its lending policies. They found that over 70% of IDA resources had been channelled to the poorest countries—those with a per capita GNP of $120 or less. Over one-half of the IDA credits, in recent years have been for agriculture and education. IDA's portfolio of projects thus increasingly reflected the priorities and needs of the poorest countries.

The developing countries have had satisfactory overall economic growth rates, but population growth has severely curtailed growth in per capita income. However, an overall growth rate is an inadequate index of the underlying problems of development each country and its people must face.

Poverty, even in the developing countries favored by relatively good resource endowments, characterizes the lives of millions of individuals. Probably close to one billion people in the developing world have annual per capita incomes of less than $100 at official rates of exchange. IDA is the best hope these poverty stricken people have of improving their lot.

IDA Lending

IDA's standardized credit terms involve a 50-year maturity period, including a 10-year grace period. One percent of principal is repayable in each year of the second ten years of the loan and 3% in each year of the remaining thirty years. An annual service charge in convertible currencies of ¾ of 1% is charged to meet IDA's administrative costs. All credits are repayable in convertible currency.

During its first 13 years of operations, through FY 1973, IDA authorized a total of 428 development credits aggregating $5.8 billion in 66 member countries. It is anticipated that $1.1 billion in additional credits will be authorized in FY 1974.

The geographic distribution of IDA lending has become more diversified. In IDA's first seven years of operations, through June 30, 1967, India and Pakistan received roughly 75% of IDA credits. In subsequent years, they received only about 50%. As a result, their (including Bangladesh) share in IDA's portfolio has dropped to about 55% of the total.

In terms of types of projects financed, about 25% of the credits extended by the end of FY 1973 had been for transportation; 28% for agriculture; 7% for education; 8% for electric power; 5% for industry; and 3% for water systems. Lending for agricultural development rose sharply in FY 1973, to a new record level of $436 million, representing 32% of IDA lending in this year.

The Executive Directors of IDA have agreed that it should continue to give increasing emphasis to the very poor countries and to those sectors which are of direct revelance to the bulk of the population in the poor countries.

IDA's Sources of Funds

IDA's main sources of funds are: its initial capital subscriptions; replenishment and special contributions; transfers from the World Bank.

IDA's initial subscriptions are those which each member contributes upon accepting membership. Members are either "Part I" members—twenty-one economically advanced countries—or "Part II" members—the developing countries. All members paid 10 percent of their initial subscriptions in gold or in freely convertible currency.

The Part I members paid the remaining 90% of the initial subscription as well in gold or in freely convertible currency, while the Part II members paid their 90% subscriptions in their own currencies, which cannot be used without the member's consent.

Initial subscriptions totaled $1,280.4 million (current dollars—$1,061.4 million 1960 dollars) on June 30, 1973. The hard currency portion amounted to $971 million, of which $33 million had been made available by Part II countries from their 90% subscriptions.

The initial subscription for the U.S. amounted to $320.3 million (1960 dollars), or 43.1% of subscriptions by Part I members. Of this, 10% was paid in cash and the 90% balance in non-interest bearing notes.

To increase the funds available for concessionary lending, the Board of Governors of IDA has adopted four replenishment resolutions. The First Replenishment, proposed in 1963, sought total contributions to IDA of $750 million (with U.S. share of $312 million); the second replenishment, considered in 1968, was for $1.2 billion (with U.S. share of $480 million); and the Third Replenishment, proposed in 1970, sought $2.4 billion (with U.S. share of 960 million).

SHARE OF U.S. CONTRIBUTION TO INTERNATIONAL DEVELOPMENT LENDING INSTITUTIONS

[In millions of U.S. dollars]

Institution	Before current replen shment			After current replenishment [1]			After proposed replenishment [2]		
	Total	United States	United States as percent of total	Total	United States	United States as percent of total	Total	United States	United States as percent of total
International Bank for Reconstruction and Development:									
(1) Paid-in capital	2,520	647	25.7	(3)	(3)	(3)	(3)	(3)	(3)
(2) Callable capital	22,677	5,826	25.7	(3)	(3)	(3)	(3)	(3)	(3)
Rank total	25,197	6,473	25.7	(3)	(3)	(3)	(3)	(3)	(3)
International Finance Corporation: (1) Paid-in capital	107	35	32.7	(3)	(3)	(3)	(3)	(3)	(3)
International Development Association: (1) Paid-in capital (subscriptions)	2,838	1,112	39.2	5,226	2,072	39.6	9,727	3,572	36.7
Inter-American Development Bank:									
(1) Paid-in capital	389	150	38.6	789	300	38.0	(3)	(3)	(3)
(2) Callable capital	2,375	1,024	43.1	3,975	1,697	42.7	(3)	(3)	(3)
(3) Fund for special operations	2,328	1,800	77.1	3,828	2,800	73.1	(3)	(3)	(3)
Bank total	5,091	2,973	58.4	8,592	4,797	55.8	(3)	(3)	(3)
Asian Development Bank:									
(1) Paid-in capital	490	100	20.4	[4] 962	[5] 193	20.1	(3)	(3)	(3)
(2) Callable capital	502	100	19.9	[4] 2,045	[5] 410	20.0	(3)	(3)	(3)
(3) Asian development fund	175			[4] 391	100	25.6	816	150	18.4
Bank total	1,167	200	17.1	3,398	703	21.2			
African Development Bank:									
(1) Paid-in capital	87			(3)	(3)	(3)	87		
(2) Callable capital	127			(3)	(3)	(3)	127		
(3) African Development Fund	93			(3)	(3)	(3)	108	15	13.9
Bank total	307			(3)	(3)	(3)	322	15	4.7

[1] On basis of authorized amounts. Refers to IDA III replenishment; increase in IDB ordinary capital, replenishment of IDB fund for special operations; increase in ADB ordinary capital (which has been implemented by the other donors, but for which U.S. authorizing legislation is now before Congress) and initial contribution to Asian Development Fund.

[2] On basis of authorization requests. Refers to IDA IV replenishment, second portion of contribution to Asian Development Fund, and initial contribution to African Development Fund.

[3] No change.

[4] Translated into 1973 dollars.

[5] Includes $21,000,000 maintenance of value payment on original subscription. U.S. replenishment subscription stated in 1973 dollars.

Note: Table does not include maintenance of value payments, except as footnoted.

World Bank Support of IDA

In addition to providing management support, the World Bank has contributed funds to IDA every year since 1964. These transfers, averaging around 50% of the Bank's net earnings, have been regarded as alternatives to the distribution of dividends to the Bank's member countries. The United States has supported these transfers as a valuable supplement to country contributions. Such transfers now total $809 million, as follows:

	Millions
From fiscal year 1964 income	$50.0
From fiscal year 1965 income	75.0
From fiscal year 1966 income	75.0
From fiscal year 1967 income	10.0
From fiscal year 1968 income	75.0
From fiscal year 1969 income	100.0
From fiscal year 1970 income	100.0
From fiscal year 1971 income	110.0
From fiscal year 1972 income	107.0
From fiscal year 1973 income	106.8
Total	808.8

Although IDA charges its borrowers only a ¾% per annum service charge, IDA's administrative expenses have been modest and the organization has enjoyed a small annual net profit. Accumulated net income, which amounted to $70 million as of June 30, 1973, is used in the lending operations. IDA's available resources have also been increased by voluntary contributions from a number of countries, releases from the 90% portion of Part II subscriptions, and interest free loans from Switzerland.

As of September 30, 1973, a total of $7,241.3 million had become available to IDA. Of this total, $6,317.6 million had been committed for specific projects leaving a balance of $924 million available for lending. It is expected that this amount will be fully committed by June 30, 1974. As of September 30, 1973, $2,376 million of the total available funds were undisbursed (on a cash basis).

Balance of Payments and Budgetary Impact

Under the agreed arrangements, governments would normally make their payments under this replenishment in three equal payments beginning in Fiscal Year 1975. However, a member may postpone any payment for a period of not more than 12 months. Moreover, members may choose to pay in four equal annual installments rather than three, if they so advise IDA prior to the due date for the first installment.

The effect of these arrangements is to permit the United States to commence payments in Fiscal Year 1976, after the final U.S. payment in Fiscal Year 1975 under the current Third Replenishment and to divide the payments over four years instead of three. The Committee understands that the U.S. will take advantage of this option and expects that the U.S. contribution will be paid in four installments of $375 million each. As in the past, payments would be made in non-interest bearing letters of credit, to be drawn down over an extended period of years. Thus, although appropriations of $375 million would be made in each year from FY 1976–79, there will be virtually no budgetary impact in the early years and the ultimate impact will be spread over a number of years. This occurs because payments from IDA funds are made only as required by recipients, and projects typically require several years to complete.

The net impact of the international development lending institutions as a group has been favorable to the balance of payments. This favorable inflow has been based on receipts from procurement in the U.S. of goods and services, interest paid to U.S. holders of loan participations and bonds, the administrative expenses of the banks who keep their headquarters in Washington, and investments by the banks in the U.S. While there are undeniably outflows connected with subscriptions and contributions paid in cash, bond sales and loan participations in the U.S., and interest paid on investments in the U.S., the amounts flowing into the U.S. have been larger than the amounts flowing out in all except one of the last eight years.

Participation in IDA, however, normally does involve a balance-of-payments cost for the U.S. This cost reflects the fact that the U.S. share in IDA contributions is based upon broad burden-sharing concepts designed to reflect a country's relative position in the international economy, while the U.S. share in procurement tends to be related to its share in the imports of IDA's borrowers. Thus, the U.S. has had close to 50 percent of GNP of IDA donor countries and been contributing about 40 percent of its country contributions; at the same time its share in IDA procurement has been around 20 percent. This has resulted in a balance-of-payments cost to the U.S.—a minor one to date but expected to increase. The lower share which has been achieved for the U.S. in contributions, accordingly, will mean a smaller balance-of-payments costs.

The Committee has considered the balance-of-payments cost as well as the benefits from U.S. participation in the IDA, and concluded that benefits outweigh the cost.

From the viewpoint of foreign relations, the IDA and other international financial institutions are an important part of the system that has developed since World War II to handle multilateral economic issues on a cooperative basis. Continued leadership in the international development lending institutions is an integral part of our overall effort, which also includes reform of the international monetary system and improvements in the field of international trade and investment. The ability of the U.S. to conclude monetary and trade agreements which we view as essential to our own progress depends on cooperation of the developing countries—whose support will be influenced by our ability to help meet their concerns for their own progress—as well as other developed countries continuing to feel that the U.S. is doing its fair share in the financing of development. And the effectiveness of our own bilateral assistance programs is dependent in many ways on the complementary assistance provided by IDA and other multilateral institutions.

There are also direct economic benefits to the U.S. from U.S. participation in IDA that are likely to be considerably more important than the direct balance-of-payments costs. Thus, the proposed IDA replenishment will make it possible for the developing countries to undertake investments in productive facilities averaging around $3 billion per year. While the benefits to the U.S. from these investments may be difficult to quantify, they are bound to result in improved export markets for us, as well as an improved availability of

raw materials and semi-manufactures at prices lower than they would otherwise have been.

Moreover, the balance-of-payments cost of any particular replenishment is spread out over a period of years, so that it has little relevance to the current situation. In the cast of the IDA, the blance-of-payments cost can be spread out over a period of ten years or more through the use of letters of credit which have an impact on the blance of payments (and budget) only when they are encashed to meet disbursement needs. The U.S. and most other countries have taken advantage of this possibility. As a result, budgetary outlays have been considerably below appropriations for the IDA.

During the first 13 years of its existence—through June 30, 1973—U.S. payments to IDA totalled $814 million and IDA procurement in the U.S. totalled $426 million. I'n addition, IDA earned interest on cash contributions by certain members invested in the U.S. and incurred administrative expenses in the U.S. The average impact of the IDA on the U.S. balance of payments of these items has been less than $30 million per year.

The balance-of-payments cost of past contributions to the IDA, however, may be expected to average roughly $150 million annually in the 1975–77 period as a result of higher rates of disbursement and a surge of calls upon the U.S. contributions and the balance-of-payments safeguards of the Second Replenishment, which delayed its impact to 1975. This cost is estimated to peak in 1975–76 and then decline rapidly after 1977.

On the other hand, the balance-of-payments cost of the proposed Fourth Replenishment would have a minimum effect through 1976 and peak in 1978. On the assumption that the currency realignments of 1971 and 1973 will increase the U.S. share in IDA procurement from the cumulative 19 percent to perhaps 22 percent, the balance-of-payments cost to the U.S. of the Fourth Replenishment may be estimated at about $50 million in FY 1976 and an average of about $75 million in the subsequent four years. A more dramatic improvement in the U.S. share of procurement would, of course, lessen the balance-of-payments cost.

It should be recognized, however, that the question of IDA's cost to the U.S. balance of payments should be seen in the broader context of U.S. participation in the World Bank, which includes both IDA and IDA's parent institution, the International Bank for Reconstruction and Development. Specifically, when transactions involving the IBRD are taken into account, total balance-of-payments inflows to the U.S. on World Bank account exceed outflows by a wide margin.

Maintenance of Value

Initial subscriptions (90% portion) and resources provided under the first three replenishments provided for maintenance of value in terms of 1960 U.S. gold dollars so long as and to the extent that they had not been initially disbursed or exchanged for the currency of another member.

Under the Fourth Replenishment, however, there will be no maintenance of value obligation "in view of the unsettled international monetary conditions prevailing at the present time". Instead, each member will agree to make its contribution in a stated amount of its own currency equal to its share of the replenishment at official New York exchange rates as of the date agreement was reached on the replenishment, September 27, 1973. For the United States, this means simply that the final amount of our contribution would be $1,500 million, without any future adjustment.

Conclusion

Your Committee strongly believes that the U.S. should make its $1.5 billion contribution in the Fourth Replenishment of the International Development Association.

IDA needs a replenishment of funds to permit the World Bank Group to provide adequate assistance, in the form of loans, which will finance sound development projects in developing nations—particularly in the poorest of those nations. The money will be spent not only for highways, dams, farming and industrial developments but for programs such as health, education and population programs that directly work with and for the people of poverty-stricken nations.

Because of its long experience, unmatched pool of technical expertise drawn from all countries, and freedom from political considerations, the International Development Association is in a strong position to influence developing countries to become both more productive and more self-reliant, by improving their overall economic programs and policies.

Your Committee has long believed that the foreign development assistance efforts of the United States should emphasize multilateral lending institutions. The international financial institutions permit a more equitable sharing of development assistance costs, the accumulation of knowledge and expertise on development problems, and considerable flexibility in establishing loan terms and imposing performance standards. The multilateral institutions permit economic development free from claims that particular donors are unduly influencing or restricting the development opportunities of particular countries. Instead they allow the collective judgment and experience of numerous countries and experts to guide the development plans of members. In view of IDA's sound record of achievement, your Committee believes it deserves wholehearted support.

Your Committee feels that contributing to multilateral lending institutions is a necessary and integral part of international economic cooperation. This cooperation is absolutely essential in view of the increasing economic interdependence of the United States and the developing nations. This interdependence is evident in the markets these countries provide for U.S. goods and services and in the raw materials which they supply to the U.S.

U.S. relations with developing countries are important economically. These countries purchase more from us than we do from them, and even more importantly they provide us with one-third of our raw materials imports. Many of the most vital raw materials can be obtained only from developing countries.

International economic cooperation involves not only development assistance but international monetary reform and international trade and investment—fields which include the developing countries. Our ability to negotiate in the trade and monetary areas will be strongly

influenced by our ability to do our part in international development assistance.

Aiding the growth of nations that are at the same time such important sources and markets for us makes good economic and political sense. This aid can be well provided through proven institutions, such as the international development banks.

The U.S. must seriously promote international economic cooperation, especially with the developing nations; and IDA urgently needs additional resources. Therefore, your Committee strongly recommends the enactment of H.R. 11354.

Cost of Carrying out the Bill and the Committee Vote

In compliance with clause 7 of Rule XIII of the Rules of the House of Representatives, the following statement is made relative to the cost incurred in carrying out this bill. A majority of the Committee believes that it would be appropriate to authorize the appropriation, without fiscal year limitation, of $1,500,000,000 for payment by the Secretary of the Treasury for the United States share of the increase in the resources of the International Development Association.

Appropriations of $375 million are expected to be requested in each year from FY 1976–1979. There will be virtually no budgetary impact in the early years. The ultimate impact will be spread over a number of years, as payments from IDA funds are made only as required by recipients, and projects typically require several years to complete.

In compliance with clause 27 of Rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote on the motion to report a bill. The bill was ordered to be reported by a unanimous voice vote.

Funding of U.S. Contributions

The authorization contained in this legislation poses a special problem. It enables the United States to undertake an international commitment, but in practice the United States' fulfillment of that commitment depends on subsequent appropriations.

In the context of our subscription to IDA, there is a clear need to undertake this international commitment. More than twenty other countries will be putting up twice as much as the United States—over $3 billion. These countries are undertaking an international obligation to fulfill their part of the bargain; if we want IDA to work we must undertake the international obligation to do our share.

It has been the practice in past Replenishments of the Resources of IDA for the United States to enter into a binding legal commitment to contribute fully to the Replenishment over a period to time only after funds for the first installment have been appropriated. In addition, in the case of IDA's Third Replenishment, at the time of the appropriation of the first installment, assurances were given by the Appropriations Committees that there was no intention of withholding the second and third installments.

The mechanism of waiting for the appropriation of the first installment before committing the United States to the full replenishment is not available in the present case. Payment of the first installment is not due until fiscal 1976, and thus the request for appropriations will not be considered by the Appropriations Committees until late in 1975. However, IDA will have run out of commitment authority by July 1974 and the United States should make its legal commitment by June 30, 1974.

The United States must be able to join with other countries in providing IDA with the commitment authority it needs to stay in operation after June 30 of this year. The legislation which is before the Congress provides that authority by authorizing the Secretary of the Treasury to agree on behalf of the United States to pay the Association $1.5 billion over a period of years.

The Committee emphasizes this point because it wishes the House to be aware that this authorization will result in a binding international commitment by the United States. Congress should be aware now that a valid international commitment will exist when appropriations to cover this agreement are requested.

Section-by-Section Analysis

Section I.—Authorizes the United States Governor to the International Development Association to agree on behalf of the United States to contribute $1,500,000,000 to the Association, and authorizes the appropriation of amounts necessary for the payment.

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics, existing law in which no change is proposed is shown in roman):

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

An Act To provide for the participation of the United States in the International Development Association

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

Section 1. This Act may be cited as the "International Development Association Act."

* * * * * * *

Sec. 14. (a) The United States Governor is hereby authorized to agree on behalf of the United States to pay to the Association $1,500,000,000 as the United States contribution to the Fourth Replenishment of the Resources of the Association.

(b) In order to pay for the United States contribution, there is hereby authorized to be appropriated without fiscal year limitation $1,500,000,000 for payment by the Secretary of the Treasury.

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Calendar No. 805

93d Congress, 2d Session | SENATE | Report No. 93–834

INTERNATIONAL DEVELOPMENT ASSOCIATION

May 9, 1974.—Ordered to be printed

Mr. Sparkman, from the Committee on Foreign Relations, submitted the following

REPORT

together with

SUPPLEMENTAL AND ADDITIONAL VIEWS

[To accompany S. 2665]

The Committee on Foreign Relations, to which was referred the bill (S. 2665), to provide for increased participation by the United States in the International Development Association, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

Purpose

The purpose of S. 2665, as amended, is to authorize an appropriation of $1.5 billion (in four annual installments of $375 million each) as the United States contribution to the Fourth Replenishment of the resources of the International Development Association.

Background

The International Development Association (IDA) is an affiliate of the World Bank which was established in 1960, largely as a result of an initiative of the United States. The stated purposes of IDA are:

> to promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world included within the Association's membership, in particular by providing finance to meet their important developmental requirements on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans, thereby furthering the developmental

objectives of the International Bank for Reconstruction and Development and supplementing its activities.

All of IDA's development credits (i.e., loans) to date have been for terms of 50 years and bear no interest. After a 10-year grace period, one percent of the principal is repayable annually for 10 years and three percent in each of the remaining 30 years. There is an annual service charge of three-quarters of one percent on the disbursed portion of each loan to cover administrative costs. These charges, as well as the principal amount of the loan, are repayable in convertible currency. IDA extends development credits for projects which are supposed to satisfy the same criteria and measure up to the same technical and managerial standards required of projects financed by the World Bank. Moreover, IDA has the same staff as the World Bank and reimburses the Bank through a management fee for administrative expenses incurred on its behalf.

Through mid-1973 IDA had authorized a total of 428 development credits amounting to $5.8 billion in 66 member countries. At the current lending rate it is expected that something over $1 billion of additional credits will be authorized by mid-1974. About 28 percent of the credits have gone for agriculture, 25 percent for transportation, eight percent for electric power, seven percent for education, five percent for industry and three percent for water projects. About $3.9 billion in credits have gone to Asia, roughly $1.1 billion to Africa, $235 million to the Western Hemisphere and $520 million to the Middle East and North Africa.

As of December 31, 1973, IDA's membership totalled 112 countries. These members, which must also belong to the World Bank and the International Monetary Fund, are divided into two categories: Twenty-one "Part I" developed or high income countries that pay their subscription in convertible currency (which may be used by IDA for its lending) and the remaining "Part II" poorer or less-developed countries that pay only one-tenth of their subscription in convertible funds (the remaining nine-tenths is paid in the member's own currency and may not be used without the member's consent).

Thus far, subscriptions to IDA have totalled slightly over $1 billion. The initial United States subscription amounted to approximately $320 million, or about 31 percent of the total. In addition to its subscribed capital, IDA has received supplementary increases to its resources under three major replenishment agreements which became effective in 1964, 1969 and 1972. With few exceptions, only the developed "Part I" countries participated in these replenishments.

The 1964 agreement provided a replenishment of $750 million, of which the U.S. share was $312 million, and the 1969 agreement provided $1.2 billion with the U.S. contributing $480 million. The third replenishment in 1972 called for contributions totalling $2.4 billion, of which the U.S. pledged $960 million in three equal installments. Of this pledge, $640 million has already been appropriated and Congress is presently considering the appropriation for the final installment.

Fourth Replenishment

At the current annual lending rate of roughly $1 billion it is expected that IDA resources will be exhausted by mid-1974. This expectation takes account of World Bank transfers of net earnings, which have totalled $815 million and which are running at an annual rate of slightly over $100 million.

Therefore, IDA member countries negotiated a proposed Fourth Replenishment which would provide a total of $4.5 billion in new resources, meaning a projected lending rate of $1.5 billion annually for the three fiscal years, 1975, 1976 and 1977. Under the agreed arrangements, while governments normally would make their payments in three such installments, any member may postpone a payment for a year, or may pay in four rather than three installments under certain conditions, or may do both after consultation. Since the last U.S. installment of the Third Replenishment will apply to FY 1975, the Administration plans to exercise both options if U.S. participation in the Fourth Replenishment is approved by the Congress.

There is no maintenance of value provision on this fourth IDA round, contrary to previous arrangements, in view of the unsettled international monetary conditions prevailing at the present time. Because of the use of letters of credit in paying subscriptions—cashed only when disbursements are needed—the balance-of-payments costs have been spread out over a number of years. Thus far, the average annual balance of payments impact of IDA on the U.S. has been held to $30 million. However, the National Advisory Council on International Monetary and Financial Policy (NAC) anticipates that the balance of payments cost of IDA to the U.S. will average roughly $150 million annually in the 1975–77 period because of various factors, especially the delayed impact safeguards of the Second Replenishment. According to the NAC Report this cost is expected to "decline rapidly after 1977."

A tabulation of proposed contributions under the Fourth Replenishment follows:

PROPOSED PARTICIPATION IN INCREASE IN IDA RESOURCES

[In thousands of U.S. dollars [1] and percentages]

	Prior to present replenishment				4th replenishment		
	Subscriptions	Contributions without votes	Total	Percent	In 1960 dollars	In 1973 dollars	Percent
Part I members:							
Australia	20,763	91,217	111,980	2.14	74,606	90,000	2.00
Austria	5,238	29,322	34,560	.66	25,366	30,600	.68
Belgium	8,746	66,954	77,700	1.48	63,415	76,500	1.70
Canada	39,682	264,848	304,530	5.82	227,546	274,500	6.10
Denmark	9,174	61,666	70,840	1.35	44,763	54,000	1.20
Finland	3,952	18,496	22,448	.42	20,890	25,200	[illegible]
France	55,035	306,997	362,032	6.92	210,177	253,545	5.63
Germany	55,963	420,597	476,560	9.11	426,493	514,500	11.43
Iceland	103	447	550	.01	1,119	1,350	.03
Ireland	3,179	3,851	7,030	.13	6,217	7,500	.17
Italy	19,429	173,811	193,240	3.69	150,331	181,350	4.03
Japan	35,356	249,964	285,320	5.46	410,328	495,000	11.00
Kuwait	3,493	19,427	22,920	.43	22,382	27,000	.60
Luxembourg	390	2,160	2,550	.04	1,865	2,250	.05
Netherlands	28,435	112,645	141,080	2.69	110,044	132,750	2.95
New Zealand		5,600	5,600	.10	9,736	1,745	.23
Norway	7,012	42,308	49,300	.94	41,033	49,500	1.10
South Africa	10,091	9,989	20,080	.38	7,461	9,000	2.0
Sweden	11,592	194,633	206,225	3.94	149,211	180,000	4.00
United Kingdom	134,650	559,650	694,300	13.28	414,059	449,500	11.00
United States	331,900	1,740,390	2,072,290	39.65	1,243,419	1,500,000	33.32
Part II members:							
Israel	1,745		1,745	.03	829	1,000	.02
Spain	10,499	2,091	12,590	.24	11,052	13,333	.30
Yugoslavia	4,229	3,851	8,080	.15	4,145	5,000	.11
Switzerland		42,000	42,000	.80	54,858	66,179	1.47
Grand total	800,656	4,424,914	5,225,570	100.00	3,731,339	4,501,302	100.00

[1] 1960 dollars except for final column of amounts.

Committee Action

S. 2665 was introduced by Senator Fulbright (by request) on November 7, 1973. The Committee on Foreign Relations held a public hearing (printed) on the bill on November 19, 1973. At that time testimony in support of the measure was received from the Secretary of the Treasury, George P. Shultz, and the Under Secretary of State for Economic Affairs, William J. Casey.

After a companion bill (H.R. 11354) was defeated by the House of Representatives by a vote of 248 to 155, the Committee discussed S. 2665 in executive session on February 7, 1974, and decided to hold additional hearings. Accordingly, on March 21 and 22, 1974, the Committee heard Secretary Shultz again, as well as the following witnesses:

Congressman Charles Whalen (R-Ohio); Mr. Robert Roosa, Brown Brothers Harriman, Former Treasury Under Secretary for Monetary Affairs (1961–64); Mr. George Woods, First Boston Corporation, Former President of the International Bank for Reconstruction and Development; Ambassador Edwin Martin, U.S. Coordinator for the World Food Conference; Mr. Robert Abboud, Vice Chairman of the Board, First National Bank of Chicago; Mr. Robert Cory, American Friends Service Committee, Washington, D.C.; and Dr. Eugene Carson Blake, President, Bread for the World, New York, New York.

These hearings are being printed and will be available to the Senate and the general public.

The Committee considered S. 2665 during an executive session held on April 23, 1974, and, by a voice vote, ordered the bill favorably reported to the Senate with amendments which had been proposed earlier by Senator Javits (for himself and Senators McGee, Humphrey and Percy). The amendments do not change the overall amount of $1.5 billion which would be authorized by the bill; they provide that such amount is to be appropriated in "four annual installments of $375,000,000 each."

Cost Estimate

It is anticipated that appropriations for the four annual installments of $375 million called for in S. 2665, as amended, will be requested in each of the fiscal years from 1976 through 1979.

Committee Comments

The Committee on Foreign Relations has long taken a particular interest in IDA legislation, not least because of the role played by the Senate in creating the institution. But the Committee's interest certainly has not been merely a sentimental one. There is great concern for the moral and humanitarian aspects of IDA which have been stressed so clearly by the current President of the World Bank. There is also much appreciation among Committee Members for the "five-year program" developed for IDA to cover the fiscal years 1969–73. Specifically, the Committee is gratified that IDA credits are now

being concentrated in the least developed of the IDA countries—those with average per capita annual incomes of $120 or less. As a concrete indication of this new focus, it is understood that IDA during a five-year period has tripled its rate of lending in Africa. The Committee is equally gratified that agriculture and education appear to be the two growing concerns of the Bank's management in allocating IDA resources.

The fact remains, however, that the most important aspects of IDA probably lie in the cooperation received from the other industrialized countries, and in the vital World Bank Group services provided to the countries receiving IDA assistance. The United States is putting up approximately one-third of the contributions to the Fourth Replenishment. Quite simply, this means that we are obtaining twice as much funding from the other developed countries and are making a multilateral enterprise increasingly successful. Many Committee Members strongly believe this kind of activity should soon replace the bulk of the bilateral U.S. aid categories. In this connection, it should also be stressed that the developed countries other than the United States—despite their severe inflationary and other economic problems—seem to be totally devoted to maintaining their contributions to IDA, and to seeking expanded use of the Bank Group organization.

The poorer countries not ony receive desperately needed infusions of capital from IDA; access to IDA lending also gives them access to the incomparable managerial, engineering, and technical assistance provided by the staff of the World Bank.

Accordingly, the Committee strongly recommends that the Senate give its full support to S. 2665.

Changes in Existing Law

* * * * * * *

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

An Act To provide for the participation of the United States in the International Development Association

Be it enacted by the Senate and House of Representatives of the United States of America in Congress asembled,

SHORT TITLE

Section 1. This Act may be cited as the "International Development Association Act."

* * * * * * *

SEC. 14. (a) The United States Governor is hereby authorized to agree on behalf of the United States to pay to the Association, four annual installments of $375,000,000 each as the United States contribution to the Fourth Replenishment of the Resources of the Association.

(b) In order to pay for the United States contribution, there is hereby authorized to be appropriated without fiscal year limitation four annual installments of $375,000,000 each for payment by the Secretary of the Treasury.

SUPPLEMENTAL VIEWS

These additional comments are meant to be a supplement to the Committee's majority position in favor of the Fourth IDA Replenishment. They are offered as an effort to provide additional data in presenting the case for Senate passage of S. 2665.

In light of the House defeat of IDA IV earlier this year, we are particularly concerned that the Senate approve S. 2665. For, the need for the International Development Association has never been greater.

The international economic situation has exacerbated the plight of the world's least developed nations in recent months. This state of affairs for the developing nations can be attributed to the following:

The substantially increased price of the petroleum imports.

The current high prices of many other primary commodities. While these high prices benefit many exporting developing countries, they also constitute a substantial portion of the import bill of an estimated thirty others which do not enjoy such raw material exports and simply cannot foot the bill.

Increasing costs of imported manufactured goods.

Supply shortages, also resulting in higher prices, of such strategic development inputs as fertilizer.

Shortages of cereal products which have been made more serious by depletion of global stocks.

Continued worldwide inflation, which creates uncertainty in investment decisions and development planning generally.

The tremendous burden imposed on the poorest nations of the world because of the present international economic situation is graphically illustrated in a paper prepared by the Staff of the World Bank Group for use at the Special Session of the United Nations General Assembly, April–May 1974. We believe the information contained in the report, which is entitled "Additional External Capital Requirements of Developing Countries," is indispensable to the case for Senate passage of S. 2665. Since the report is quite lengthy, we have chosen to summarize its contents.

According to the report, although significant attention has been focused on the increase in the price of oil, two other major problem areas are likely to have an equally severe impact on a number of developing nations.

First, an uncertain outlook for the economies of the industrialized nations does not bode well for the developing countries. The level of economic activity in industrialized nations is one of the principal determinants of the foreign exchange earning capacity of the developing countries, and hence, of their investment levels and growth rates. Even a modest decline in the rates of growth of the industrialized nations will have an impact on the developing countries, which may be larger in the long term than the direct impact of the increased petroleum prices. Even if the industrial countries recover quickly from the oil price increases and find ways to deal with their balance-of-payments deficits, their reduced rates of growth will cause the growth rates of many developing countries to be substantially below the levels in the next six years than were thought likely only a few months ago.

Second, the shortage of fertilizers and food, evident even before the changes in oil prices, have been exacerbated by the current situation. The price of urea fertilizer production has risen almost as rapidly as that of crude oil. For some time now, fertilizer production has been inadequate to meet demand, and new capacity has not been built at a sufficient rate. The shortage of fertilizer, combined with the growing demand for food, means that food grains will remain in short supply. This, in turn, will require heavy additional foreign exchange expenditures on food imports. Some of the countries which have the least resilience in meeting the additional cost of oil imports are also those which depend heavily on fertilizer imports and those whose agricultural output is highly sensitive to inadequate soil nutrients.

Last year, the World Bank estimated that the developing countries could, on the average, achieve the six-percent rate of growth which was the objective of the Second Development Decade of the United Nations. However, the Bank's revised projections now show that this is most unlikely and that in the best of circumstances, maintaining substantial development progress will require considerably more external capital than previously projected. The most serious problems are likely to occur in the group of low-income countries.

The capacity of individual developing countries to respond to the immediate problems of 1974 and 1975 varies widely. There are some countries such as Mexico, Turkey, Brazil, and Malaysia which can cope with the problems because the accumulated reserves, continued high export prices, and ready access to capital markets. However, there are other countries such as India, Bangladesh, and Sri Lanka, which have little resilience and which will require substantial sums of additional external capital on concessional terms to sustain growth.

Whatever pattern of resource allocation results from the adjustment of the world economy to higher energy costs, the capital requirements of the developing countries as a whole will expand substantially above what had been projected previously.

According to the World Bank Staff report:

> The developing nations, as a group, even after reducing their reserves and drawing on the International Monetary Fund, will require an estimated \$2.6 billion of additional external capital in 1974 and about \$6.8 billion in 1975. Of these amounts \$800 million in 1974, and \$2.1 billion in 1975, are needed on intermediate terms.
>
> In the years 1976–1980, in order to achieve modest rates of growth, the developing countries will require, on the most optimistic estimates, \$10–12 billion per year in external resources beyond amounts previously projected. About \$4–5 billion of this increment must be on concessional terms, since it is required by low and middle income countries who either are not creditworthy now or soon will have exhausted their borrowing capacity on conventional terms. These resources must be mobilized quickly, as there is a considerable time lag between commitments and disbursements.

The World Bank Group study pointed out the essential problem is to increase not just the Bank program, but the total flow of resources to the developing countries, particularly resources which will be made available on concessional terms. Since many of the oil-exporting countries will have funds which are surplus to their internal development needs, the World Bank Group has been in touch with them to offer assistance in channeling a portion of their surpluses, on appropriate terms and conditions, to developing countries to augment the projected capital inflows from other sources.

For example, the World Bank has indicated to the OPEC countries that with their cooperation and at their request the Bank would:

> Assist in developing or expanding their bilateral aid programs.
>
> Help organize regional or multilateral aid programs to be financed by OPEC countries.
>
> Welcome the joint financing with OPEC countries of Bank or IDA projects.
>
> Present for inclusion in their long-term investment portfolio IBRD bonds carrying terms and conditions tailored to their circumstances.
>
> Provide management services, under a number of possible arrangements (including the expansion of the Fourth Replenishment of IDA), for the efficient investment of concessional funds in the developing countries. Proposals such as those put forward by Venezuela and Iran are major steps toward mobilizing the necessary resources.

An important point was underscored by the study when it was pointed out: "Unless substantial additional resources for both long-term investments and immediate balance-of-payments needs are provided quickly, the hopes of hundreds of millions of people for even modest advances in their economic well-being during the remainder of this decade will be shattered."

In addition to the World Bank Staff report, we would also like to address ourselves to certain misconceptions which have come to be associated with the International Development Association and its purpose.

First, IDA monies cannot be used to finance oil imports of the developing nations. Loans for projects can be used only to finance equipment and services associated with that project, many of which are purchased in the United States, and all of which are carefully scrutinized before the monies are disbursed. In addition, IDA credits are critical for projects whose implementation will increase the abilities of the poor countries to meet their mounting oil costs.

As Treasury Secretary George Shultz testified during hearings on S. 2665:

> IDA lends for specific projects; its funds go, as they always have, to pay the suppliers of the pumps, tractors, cement, industrial machinery, laboratory equipment, and

engineering services needed to build and carry out sound and urgent development projects. A very significant portion of our contribution to IDA will return to the U.S. economy in demand for our exports.

In addition, we do not feel the U.S. should punish the poor for higher oil prices. By refusing to fund IDA, we penalize the poor nations for a situation which is not of their making.

Second, the soundness of individual IDA projects and their contribution to the development of the poor nations has been challenged by many opponents of the program. However, every IDA project has been reviewed by economists, financial analysts, and technical experts before it is approved. Constant World Bank supervision and rigorous international competitive bidding insure effective implementation at the best price. Some typical IDA projects include:

$14 million loan for tubewell construction in Bangladesh. When completed, some 180,000 acres of land will be irrigated.

$5 million education loan to Paraguay to build facilities for 10,000 students.

$14 million for Sahelian drought relief in Africa.

$20 million loan for earthquake rehabilitation in Nicaragua.

Third, IDA has been characterized as "one of those foreign aid give-away programs." It definitely is not! Approximately 60 percent of our contribution to IDA will return directly to the U.S. through procurement and local expenditures. An additional, but unknown amount returns indirectly because of the recipients' increased growth rates and the need to import. Cumulative IDA procurement in the U.S. totals $450 million. Cumulative World Bank Group procurement in the U.S. totals $3.8 billion. Thus, the overall impact has been overwhelmingly positive for the U.S. balance-of-payments.

Fourth, it has been asserted that in light of our own domestic problems, the U.S. should not be concerned with contributing to such institutions as IDA. However, while it is anticipated that the increased petroleum prices will cost the U.S. an additional $12 billion this year, we will make up all but $2 billion of that sum in what we earn from the increased costs of commodities we export. On the other hand, the dramatic increase in the price of commodities will drain an additional $3 billion from the developing nations.

In addition, other industrialized nations are far more adversely affected by the oil crisis than the U.S. Yet, they are still maintaining their support for IDA and will be contributing 67 percent of the Fourth Replenishment.

Fifth, if the Congress should fail to approve the U.S. share of the Fourth IDA Replenishment, the whole agreement would be unraveled. This would terminate the principal source of multilateral loans for the world's poorest economies and, thereby, could mean the difference between survival and starvation.

Sixth, it has been claimed that in light of their newly found wealth, the oil producers should shoulder the burden of development assistance. While the World Bank Group is encouraging the OPEC countries use their newly found wealth for development assistance, only two or three relatively tiny oil states will have per capita income

wealth approaching or exceeding our own. If the U.S., out of its great resources, cannot continue its historic level of support for IDA and similar financial institutions, on what basis can we ask the rest of the world—even the oil producers—to pick up their fair share of the development finance burden? In addition, some oil nations are already shouldering this responsibility. Earlier this year, Iran announced it would establish a $1 billion program for developing nations. Yet, Iran, despite her newly found wealth, will realize a per capita annual income of only 20 percent of that of the United States.

Seventh, concern has been expressed over IDA lending to OPEC countries. In the past IDA has made loans to some of the very poor oil-producing states; e.g. Nigeria before discovery of oil. Currently, IDA loans are being made to Indonesia, since Indonesia, despite the increased oil revenues, has a per capita income of only about $107 per year. Nevertheless, negotiations are underway to phase out IDA lending to Indonesia.

Eighth, the question has been raised as to whether IDA lends to countries which have expropriated U.S. property. IDA does not make loans to any country with uncompensated expropriation cases, unless IDA feels adequate progress and good faith negotiations have been made toward resolving these cases.

Ninth, considerable frustration has been voiced over the amount of money the U.S. contributes to foreign aid programs. However, a look at the facts reveals a different picture altogether. The U.S. only contributes one-third of one percent of its GNP for economic development assistance. Using this benchmark we now rank 14th among the world's 16 developed countries in terms of official development assistance.

We hope that the Congress heeds what we believe are sound arguments in favor of S. 2665. Despite the differences of opinion over what form our aid programs should take, or whether we should even be in the business of foreign aid, one inescapable fact remains—the American people never have, and never will, tolerate starvation anywhere in the world. A vote against IDA is a vote in favor of placing millions of lives around the world in jeopardy.

GALE MCGEE.
HUBERT HUMPHREY.
JACOB JAVITS.
CHARLES PERCY.

ADDITIONAL VIEWS

Deliberations on the International Development Association replenishment have taken place in the context of concern about a possible relationship between the World Bank and the Thieu government in South Vietnam.

Last October the World Bank and the Asian Development Bank initiated a meeting in Paris to explore the idea of an international consortium for aid to Indochina. World Bank Report number 315-VN, "Current Economic Position and Prospects of the Republic of Vietnam," which was issued on January 18 of this year, describes an extremely dismal economic picture in South Vietnam and suggests the need for massive infusions of aid for many year into the future. These steps have at least raised the prospect that a portion of the International Development Association's resources would be made available to the government in Saigon.

On the basis of the record since the 1973 Paris Agreement on Vietnam was signed, it is reasonable to question all aid to the Saigon regime, whether it goes for military hardware or economic support and whether it comes from the United States or from a multilateral agency.

It is true that the South Vietnamese economy was left in dire straits by the war conditions which prevailed until January of 1973. The withdrawal of American forces was an additional economic blow.

But it is also true that the blame for the lack of economic recovery lies not in the assertion that suppliers of aid have been stingy, but in the fact that the Saigon government has been spendthrift, particularly in the military sector. South Vietnam has 1.1 million men in the military, another 125,000 in the police force, and a civil service of 350,000, from a population of about 19 million. The World Bank report of January 18 estimates that 25 percent of the nation's manpower is non-productive from an economic standpoint. In 1973 the Saigon government was able to raise some 233 billion piastres from internal revenues; and it spent 254 billion piastres on the military alone, excluding foreign military aid. Again excluding military aid, fully 18 percent of the South Vietnamese Gross National Product goes for military spending—the equivalent of a $316 billion arms budget for the United States. And the military portion of South Vietnam's budget is slated to rise again in the current calendar year.

This trend, along with wholesale violations of the ceasefire and an almost total failure to implement the political provisions of the Paris Agreement, suggests that the Saigon government is determined to keep the war going and to let economic recovery wait.

But a peaceful resolution of the dispute in Saigon is an indispensable prerequisite to economic recovery. Farmers must return to their fields and the heavy burden of a bloated arms budget must be lifted as the first steps of any economic rescue operation for South Vietnam. And until that happens economic aid can only support an indefinite dependence that will drain the donors without offering any lasting or constructive benefit to the people of Vietnam. Military and political issues must be resolved before there can be any real hope on the economic front.

These concerns speak to aid generally, but there are specific additional reasons why it would be a mistake for an institution such as the World Bank to become involved in supplying aid to the Thieu government.

The Bank's resources and the resources of the International Development Association are sharply limited, and demands elsewhere are extremely compelling. Moreover, the prospects elsewhere are that IDA funding can bring greater and more productive results. From the simple standpoint of prudent management, it would be more fitting for IDA to concentrate its scarce funds in countries where there is no continuing war to render development largely a hopeless enterprise.

Moreover, the Agreement on Ending the War and Restoring the Peace in Vietnam establishes two things: doubts about the long-term legitimacy of the government in South Vietnam, and means to remove those doubts. It refers throughout to "two South Vietnamese parties," meaning Mr. Thieu's government and the Provisional Revolutionary Government, both with claims to control over areas of South Vietnam. Article 12 and related protocols provide for the establishment of a National Council of National Reconciliation and Concord, and ultimately for elections which were envisioned as a means of unifying South Vietnam under a single government. Those steps have not been carried out. And under these uncertain conditions, I believe it would be a mistake for an international agency such as the World Bank to supply assistance to either South Vietnamese party. It would entail making choices which, under the terms of the Paris Agreement, belong to the people of South Vietnam. It would detract still further from any remaining respect for the Agreement, and it would do additional damage to the already badly battered prospects for peace.

On the basis of this background, I was pleased to note that in a letter dated April 18, 1974, and addressed to Dr. Eugene Carson Blake, President of Bread for the World, the World Bank's Vice President for Asia, Mr. Peter Cargill, has disclaimed any plans for sizeable World Bank assistance to South Vietnam. He noted the scarcity of concessional funds such as IDA provides and the "urgent needs of hundreds of millions of poor people in other parts of the world." He made it clear that "IDA could hardly become a major source of funds" for South Vietnam. Moreover, he listed among the "understandings" which World Bank President Robert McNamara had indicated would be necessary for the formation of any consortium for Indochina aid that ". . . any initiative in forming such a group or any participating by IDA would depend on the Bank Group's assessment of the possibility of such an assistance program being directed solely towards the reconstruction and development of these economies and restoring them to a peacetime basis as foreseen in the Paris Accords. . . ."

On the basis of this assurance, I fully expect that unless there is dramatic movement away from war and toward full implementation of the Paris Agreement, none of the funds included in the Fourth Replenishment of the International Development Association would be made available to the government in Saigon or any other party to the hostilities or to the Paris Agreement.

George McGovern.

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93D CONGRESS 2d Session } HOUSE OF REPRESENTATIVES { REPORT No 93-1142

AMENDING THE INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

JUNE 25, 1974.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. PATMAN, from the Committee on Banking and Currency, submitted the following

REPORT

together with

SUPPLEMENTARY AND DISSENTING VIEWS

[To accompany H.R. 15465]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 15465) to provide for increased participation by the United States in International Development Association and to permit United States citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSES OF THE BILL

H.R. 15465 amends the International Development Association Act of 1960, as amended, to authorize the Secretary of the Treasury, in his capacity as the U.S. Governor of the International Development Association (hereinafter referred to as IDA), to agree on behalf of the United States to pay to IDA $1.5 billion in four annual installments of $375,000,000 each, as recommended in the "Report of the Executive Directors to the Board of Governors on Additions to IDA Resources: Fourth Replenishment" (House Doc. 93–181). The bill also would authorize the appropriation, without fiscal year limitation, of the funds necessary for this contribution.

Secondly the bill would amend the Par Value Modification Act to permit Americans to purchase, hold, sell or otherwise deal with gold in the U.S. or abroad, on December 31, 1974, or at any time prior to such date that the President finds and reports to Congress that international monetary reform shall have proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position.

The principal purpose of this bill is to aid in the replenishment of the funds of IDA, which is the world's largest single source of multilateral development finance for lending on concessionary or easy payment terms. IDA provides credit on concessionary terms to finance high priority development projects and programs of the poorest of the developing countries.

By the end of June 1974, it is anticipated that IDA will fully commit all of its lendable funds. Replenishment of its resources, accordingly is necessary if IDA is to continue its lending activities. Its lending operations—which heavily emphasize social and economic improvement for urban poor, for small businessmen and for small farmers—would terminate at that time. Consequently, time is an important factor.

The United States has always supported IDA, a major source in bringing economic development to the poorest of people. The U.S. contribution to IDA's Fourth Replenishment will strengthen this institution and allow it to continue its vital work. For every dollar the U.S. contributes to this replenishment of IDA, others will put up another two dollars.

The justification for authorizing additional funds for IDA is perhaps best stated in a letter from the Secretary of the Treasury to the Speaker of the House, the Honorable Carl Albert.

THE SECRETARY OF THE TREASURY,
Washington, D.C., June 17, 1974.

Hon. CARL ALBERT,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: As you are probably aware, the Senate on May 29 approved, by a 55–27 vote, a bill authorizing further U.S. participation in the International Development Association (IDA)—the soft loan window of the World Bank.

A House bill on this subject was defeated last January, largely, I believe, in reaction to the energy crisis which was then in its most severe stage. I am hopeful that the House will reconsider IDA legislation in the very near future. The purpose of this letter is to put before you facts and considerations relevant to today's domestic and international situation that deserve to be taken into account in such a reconsideration.

The newly introduced IDA Fourth Replenishment bill, currently designated H.R. 15231, authorizes the United States to join with 24 other industrialized countries in providing funds to IDA for long-term, low interest loans to the poorest of the developing nations. These loans finance projects in such fields as transportation, agriculture, education and health, with particular emphasis on reaching low income sectors of the population.

In this round of contributions, the U.S. share of the total has been reduced from 40 percent to 33⅓ percent. Germany and Japan, in particular, have undertaken substantially increased shares. U.S. participation is vital to IDA's future, since the multi-nation arrangement cannot come into effect without us and present IDA funds will be exhausted on June 30.

In an important sense, H.R. 15231 is a different bill from H.R. 11354, which was rejected by the House in January. While both bills provide for a total U.S. commitment of $1.5 billion, the earlier bill would have permitted payment of the U.S. contribution in three annual installments of $500 million. The new bill, by contrast, limits the amount of annual installments to $375 million. This means that our annual appropriations requests under this authorization, which will not begin until FY 1976 and will be spread over four years, will be *less* than the current annual request level of $386 million (adjusted to reflect dollar devaluations) under the Third Replenishment. Moreover, the amount provided under the new version of the IDA legislation will not be subject to upward adjustment in the future should international currency values change, since the maintenance of value provision has been eliminated for the Fourth Replenishment.

Let me say at the outset that I believe support for the IDA replenishment bill is fully consistent with the concern for fiscal responsibility that our current economic situation demands and that I have repeatedly emphasized in public and private.

There is no conflict between this bill and fiscal responsibility for two reasons. First, fiscal responsibility does not mean simply not spending—it means spending only for effective programs that are strictly in accordance with our priorities. IDA qualifies on both scores. Second, the IDA replenishment bill will have no impact on the current fiscal situation. The first appropriations under it will not be sought until 1976, and when obtained will be made available to IDA in the form of non-interest-bearing notes. These notes will not be cashed until still later years.

I am just as convinced that the proposed IDA legislation serves the international economic interests of the United States as I am that it is fiscally responsible.

We have, of course, our traditional humanitarian concern for helping the poorest of the poor that live in one-third of the world's nations and constitute one-half of the world's population. These are the nations and peoples with per capita incomes below $375 a year, frequently even below $100 a year; the countries of sub-Sahara Africa afflicted with drought, disease and starvation; the countries most burdened by, and least able to cope financially with the added budget and balance of payments costs of food, fuel and fertilizers.

But apart from the humanitarian aspects, the increased production that IDA stimulates is of great importance to our country. The developing world provides 60 percent of our import requirements of eight essential industrial raw materials. It likewise is a market, already in excess of $17 billion and growing, for U.S. exports. In fact, we have traditionally had a surplus trade balance with the IDA borrowing countries, and roughly half of what we provide to IDA can be expected to be spent for U.S. goods and services.

Having been so intimately involved with the most acute of our recent energy problems, I can well understand the feelings of those members of the House who voted against the IDA repenishment bill in January. That was an immensely difficult period, but much has changed since January, and much can now be seen in better perspective.

We are not now facing the imminent resumption of full-scale fighting in the Middle East. We are not now suffering from the effects of an oil embargo. Oil prices are still too high, but we are working on that issue separately. And it has become clear that the oil-producing countries are beginning to move in constructive ways that recognize the responsibilities accompanying their new wealth.

IDA credits have never gone to the tradtional oil producers, and are being phased out in those few countries that recently became large producers. IDA funds for non-oil-producing countries cannot simply pass through to the oil producers because IDA does not finance oil purchases, and such funds can only be spent for specific projects and programs, which would in nearly all cases not be carried out without IDA assistance.

Oil-producing countries have pledged $3 billion to a special facility in the International Monetary Fund to help countries cope with international price increases; they have already purchased over $600 million of World Bank bonds to permit further development lending, and expect to make a larger amount of such purchases next year. Venezuela is actively negotiating a half-billion-dollar trust fund in the Inter-American Bank. Iran and Kuwait are both extending substantial bilateral assistance within the Middle East and Asian regions, and the framework of a $1 billion-plus Islamic Development Bank is now being finalized.

Considering the fact that the oil countries, in the space of a few months, have been called on to think of themselves in an entirely new international financial role, I believe a promising start has been made on having them share the cost of financing development—perhaps even a better start than we might have expected last January. The surest way to undermine the present trend would be for the United States and other industrialized countries to back off from our own participation in development finance.

While IDA is important in its own right, as I have laid out above, our participation in the Fourth Replenishment has a larger significance. We will undermine our ability to reshape and reform the international economic order if we are not willing to cooperate in providing a fair share of development finance. Participation in IDA is crucial to our over-all interests as we are in the process of international monetary and international trade negotiations with our industrialized country partners. All these fields are interrelated, and we would pay the price in other areas if we shirk our fair share in IDA.

It seems to me particularly noteworthy that U.S. participation in the IDA replenishment enjoys strong support from such a broad spectrum of domestic opinion. More than a hundred newspapers in every part of the country have called editorially for continued U.S. participation in IDA. The U.S. Chamber of Commerce, the AFL/CIO, the National Foreign Trade Council, the United Auto Workers—and six of my predecessors as Secretary of the Treasury—are among those backing this legislation, as well as such groups as the United States Catholic Conference, the Baptist World Alliance, the United Presbyterian Church, and the American Jewish Committee.

What is at stake now is not simply a level at which IDA can operate, but whether this cornerstone of international cooperation will survive

as an institution. In your examination of the new IDA Fourth Replenishment bill, I urge you to consider the extraordinary new strains that exist today in the less fortunate countries. Their problems, if allowed to overwhelm them, will very rapidly become our problems. I am convinced that, with renewed U.S. support, IDA can make a significant difference in this regard.

Sincerely yours,

William E. Simon.

Expropriation Policy

Last year when the Committee considered the legislation authorizing the U.S. contributions to the Third Replenishment of IDA, it expressed its concern with the trend toward increasing expropriation without compensation of American owned property overseas. The Committee added an amendment to the bill to ensure that the United States would vote in the multilateral development lending institutions against lending to countries that expropriate without taking appropriate steps to compensate. The Gonzalez Amendment was adopted by the Congress and now applies to United States votes in all the multilateral development lending institutions.

The Committee believes that the Gonzalez Amendment has worked well to bring expropriating countries to the bargaining table and to assure just compensation. Moreover, the Committee is of the view that the Gonzalez Amendment provides sufficient flexibility to accomplish its objectives without undermining other U.S. foreign policy objectives.

For example, the Committee recognizes that a "no" vote could be avoided in those rare cases in which a U.S. firm has clearly failed to meet reasonable and legitimate obligations to the host country. Likewise, it is conceivable that a U.S. firm may have no real interest in an expropriated property, in which case no grievance would exist. The Committee expects that any such cases would be extraordinary and understands that the Treasury will consult with it well in advance whenever any such cases arise.

Details of the IDA Replenishment

The Fourt Replenishment of IDA would be $4.5 billion in total new resources. These resources would be committed on development credits during the three-year period beginning July 1, 1974. From the viewpoint of burden-sharing, this replenishment represents a substantial decline in the U.S. share—from 40% in the Third Replenishment to 33½% in the current one.

The Fourth Replenishment arrangements involve Part I member countries contributing the equivalent of $4,415.8 million to the Association in equal annual installments over a 3-year period, with the first installment to be paid on November 8, 1974. In addition, the arrangements provide for three Part II members (Israel, Spain and Yugoslavia) to contribute the equivalent of $19,333,000. Part I countries are donors, not eligible for IDA loans; Part II countries are recipients, eligible for IDA assistance. Finally the Swiss Government, which is not an IDA member, will provide $66,179,147. The proposed $4.55 billion represents a 55% increase over the Third Replenishment.

The new resources are intended for commitment by IDA during the period up to June 30, 1977. The projected commitment annual rate of $1,500 million compares with actual commitments averaging slightly under $800 million per year during FY 1969–73. Commitments of $1,357 million were made in FY 1973.

If the agreement among the major donor countries receives necessary legislative approval, IDA would receive new contributions at the rate of $1,500 million per year. Participation on the proposed basis, moreover, will shift more of the burden of providing concessional development assistance to other developed countries than under previous replenishments. Two dollars of concessionary development assistance would be put up by others for every dollar put up by the United States, as compared with the 60–40 split in the previous replenishment. This agreement cannot become effective without the participation of the United States, which this legislation would make possible.

Contributions agreed to for this replenishment of IDA resources are shown below:

	U.S. dollars (equivalent)
Part I countries:	
Australia	90,000,000
Austria	30,600,000
Belgium	76,500,000
Canada	274,500,000
Denmark	54,000,000
Finland	25,200,000
France	253,545,000
Germany	514,500,000
Iceland	1,350,000
Ireland	7,500,000
Italy	181,350,000
Japan	495,000,000
Kuwait	27,000,000
Luxembourg	2,250,000
Netherlands	11,745,000
New Zealand	11,745,000
Norway	49,500,000
South Africa	9,000,000
Sweden	180,000,000
United Kingdom	499,500,000
United States	1,500,000,000
Part II countries:	
Israel	1,000,000
Spain	13,333,000
Yugoslavia	5,000,000
Switzerland	[1]
Total	4,500,000,000

[1] It is expected that the outstanding balance of $66,179,147 will be covered by an interest free loan from the Swiss Confederation to be approved by the Swiss Federal Council and Parliament. Switzerland is not a member of IDA.

Background

The International Development Association, popularly called the soft loan window of the World Bank, formally came into existence as an affiliate of the World Bank in September 1960, commenced operations shortly thereafter, and made its first loan in mid-1961. Establishment of IDA was largely the result of international initiatives by the United States, undertaken against a background of strong expressions of support within the Congress.

Sixty-eight countries became initial members of the Association, and its membership has grown since to 112 countries. Since the time of its establishment, IDA members have been divided into two groups. The industrialized or wealthier members are in the category of "Part I" or donor countries, while the less developed members are categorized as "Part II" or recipient countries.

In the initial subscriptions to IDA, the Part I countries made contributions of about 75% of the total, while the Part II members contributed the remainder. In keeping with the goal of extending assistance to developing countries, Part II countries have not been required to participate in the successive replenishments.

As an affiliate of the World Bank, IDA benefits from the same high caliber management as the Bank itself and has the same Board of Governors and Board of Executive Directors as the Bank. The World Bank's President serves as Chairman of the IDA Executive Directors and as President of the Association. IDA has no staff separate from that of the Bank its operations are carried out entirely by the Bank's regular staff.

IDA is the world's largest single source of multilateral development finance for lending on concessionary or easy repayment terms. IDA's credits are made for sound economic projects that measure up to the rigorous standards for loans offered by the World Bank itself. IDA, however, makes its loan funds available on unique terms that take into account the severely limited external debt servicing capacity of the poorer developing countries.

IDA's hard currency resources come primarily from budgetary contributions by the governments of its 21 economically advanced member countries.

Because of the terms on which it lends, IDA cannot expect to borrow in private capital markets, and repayments on outstanding credits will not be adequate for many years to support significant new lending.

Though IDA lending is directed at those countries with annual per capita incomes of $375 or below, funds are increasingly going to the poorest countries of this category. In 1973 the Executive Directors of IDA made a comprehensive review of its lending policies. They found that over 70% of IDA resources had been channelled to the poorest countries—those with a per capita GNP of $120 or less. Over one-half of the IDA credits, in recent years have been for agriculture and education. IDA's portfolio of projects thus increasingly reflected the priorities and needs of the poorest countries.

The developing countries have had satisfactory overall economic growth rates, but population growth has severely curtailed growth in per capita income. However, an overall growth rate is an inadequate index of the underlying problems of development each country and its people must face.

Poverty, even in the developing countries favored by relatively good resource endowments, characterizes the lives of millions of individuals. Probably close to one billion people in the developing world have annual per capita incomes of less than $100 at official rates of exchange. IDA is the best hope these poverty stricken people have of improving their lot.

IDA Lending

IDA's standard credit terms involve a 50-year maturity period, including a 10-year grace period. One percent of principal is repayable in each year of the second ten years of the loan and 3% in each year of the remaining thirty years. An annual service charge in convertible currencies of ¾ of 1% is charged to meet IDA's administrative costs. All credits are repayable in convertible currency.

During its first 13 years of operations, through FY 1973, IDA authorized a total of 428 development credits aggregating $5.8 billion in 66 member countries. It is anticipated that $1.1 billion in additional credits will be authorized in FY 1974.

The geographic distribution of IDA lending has become more diversified. In IDA's first seven years of operations, through June 30, 1967, India and Pakistan received roughly 75% of IDA credits. In subsequent years, they received only about 50%. As a result, their (including Bangladesh) share in IDA's portfolio has dropped to about 55% of the total.

In terms of types of projects financed, about 25% of the credits extended by the end of FY 1973 had been for transportation; 28% for agriculture; 7% for education; 8% for electric power; 5% for industry; and 3% for water systems. Lending for agricultural development rose sharply in FY 1973, to a new record level of $436 million, representing 32% of IDA lending in this year.

The Executive Directors of IDA have agreed that it should continue to give increasing emphasis to the very poor countries and to those sectors which are of direct relevance to the bulk of the population in the poor countries.

IDA's Sources of Funds

IDA's main sources of funds are: its initial capital subscriptions; replenishment and special contributions; transfers from the World Bank.

IDA's initial subscriptions are those which each member contributes upon accepting membership. Members are either "Part I" members—twenty-one economically advanced countries—or "Part II" members—the developing countries. All members paid 10 percent of their initial subscriptions in gold or in freely convertible currency.

The Part I members paid the remaining 90% of the initial subscription as well in gold or in freely convertible currency, while the Part II members paid their 90% subscriptions in their own currencies, which cannot be used without the member's consent.

Initial subscriptions totaled $1.280.4 million (current dollars—$1,061.4 million 1960 dollars) on June 30, 1973. The hard currency portion amounted to $971 million, of which $33 million had been made available by Part II countries from their 90% subscriptions.

The initial subscription for the U.S. amounted to $320.3 million (1960 dollars), or 43.1% of subscriptions by Part 1 members. Of this, 10% was paid in cash and the 90% balance in non-interest bearing notes.

To increase the funds available for concessionary lending, the Board of Governors of IDA has adopted four replenishment resolutions. The First Replenishment, proposed in 1963, sought total contributions to IDA of $750 million (with U.S. share of $312 million); the Second Replenishment, considered in 1968, was for $1.2 billion (with U.S. share of $480 million); and the Third Replenishment, proposed in 1970, sought $2.4 billion (with U.S. share of $960 million).

SHARE OF U.S. CONTRIBUTION TO INTERNATIONAL DEVELOPMENT LENDING INSTITUTIONS

[In millions of U.S. dollars]

Institution	Before current replenishment			After current replenishment [1]			After proposed replenishment [2]		
	Total	United States	United States as percent of total	Total	United States	United States as percent of total	Total	United States	United States as percent of total
International Bank for Reconstruction and Development:									
(1) Paid-in capital	2,520	647	25.7	[3]	[3]	[3]	[3]	[3]	[3]
(2) Callable capital	22,677	5,826	25.7	[3]	[3]	[3]	[3]	[3]	[3]
Bank total	25,197	6,473	25.7	[3]	[3]	[3]	[3]	[3]	[3]
International Finance Corporation: (1) Paid-in capital	107	35	32.7	[3]	[3]	[3]	[3]	[3]	[3]
International Development Association: (1) Paid-in capital (subscriptions)	2,838	1,112	39.2	5,226	2,072	39.6	9,727	3,572	36.7
Inter-American Development Bank:									
(1) Paid-in capital	389	150	38.6	789	300	38.0	[3]	[3]	[3]
(2) Callable capital	2,375	1,024	43.1	3,975	1,697	42.7	[3]	[3]	[3]
(3) Fund for special operations	2,328	1,800	77.1	3,828	2,800	73.1	[3]	[3]	[3]
Bank total	5,091	2,973	58.4	8,592	4,797	55.8	[3]	[3]	[3]
Asian Development Bank:									
(1) Paid-in capital	490	100	20.4	[4] 962	[5] 193	20.1	[3]	[3]	[3]
(2) Callable capital	502	100	19.9	[4] 2,045	[5] 410	20.0	[3]	[3]	[3]
(3) Asian development fund	175	—	—	[4] 391	100	25.6	816	150	18.4
Bank total	1,167	200	17.1	3,398	703	21.2	—	—	—
African Development Bank:									
(1) Paid-in capital	87	—	—	[3]	[3]	[3]	87	—	—
(2) Callable capital	127	—	—	[3]	[3]	[3]	127	—	—
(3) African Development Fund	93	—	—	[3]	[3]	[3]	108	15	13.9
Bank total	307	—	—	[3]	[3]	[3]	322	15	4.7

[1] On basis of authorized amounts, Refers to IDA III replenishment; increase in IDB ordinary capital, replenishment of IDB fund for special operations; increase in ADB ordinary capital (which has been implemented by the other donors, but for which U.S. authorizing legislation is now before Congress) and initial contribution to Asian Development Fund.

[2] On basis of authorization requests. Refers to IDA IV replenishment, second portion of contribution to Asian Development Fund, and initial contribution to African Development Fund.

[3] No change.

[4] Translated into 1973 dollars.

[5] Includes $21,000,000 maintenance of value payment on original subscription. U.S. replenishment subscription stated in 1973 dollars.

Note: Table does not include maintenance of value payments, except as footnoted.

World Bank Support of IDA

In addition to providing management support, the World Bank has contributed funds to IDA every year since 1964. These transfers, averaging around 50% of the Bank's net earnings, have been regarded as alternatives to the distribution of dividends to the Bank's member countries. The United States has supported these transfers as a valuable supplement to country contributions. Such transfers now total $809 million.

Although IDA charges its borrowers only a ¾% per annum service charge, IDA's administrative expenses have been modest and the organization has enjoyed a small annual net profit. Accumulated net income, which amounted to $70 million as of June 30, 1973, is used in the lending operations. IDA's available resources have also been increased by voluntary contributions from a number of countries, releases from the 90% portion of Part II subscriptions, and interest free loans from Switzerland.

As of September 30, 1973, a total of $7,241.3 million had become available to IDA. Of this total, $6,317.6 million had been committed for specific projects leaving a balance of $924 million available for lending. It is expected that this amount will be fully committed by June 30, 1974. As of September 30, 1973, $2,376 million of the total available funds were undisbursed (on a cash basis).

Balance of Payments and Budgetary Impact

Under the agreed arrangements, governments would normally make their payments under this replenishment in three equal payments beginning in Fiscal Year 1975. However, a member may postpone any payment for a period of not more than 12 months. Moreover, members may choose to pay in four equal annual installments rather than three, if they so advise IDA prior to the due date for the first installment.

The effect of these arrangements is to permit the United States to commence payments in Fiscal Year 1976, after the final U.S. payment in Fiscal Year 1975 under the current Third Replenishment and to divide the payments over four years instead of three. The U.S. will take advantage of this option and pay its share in four installments of $375 million each. As in the past, payments would be made in non-interest bearing letters of credit, to be drawn down over an extended period of years. Thus, although appropriations of $375 million would be made in each year from FY 1976–79, there will be virtually no budgetary impact in the early years and the ultimate impact will be spread over a number of years. This occurs because payments from IDA funds are made only as required by recipients, and projects typically require several years to complete.

The net impact of the international development lending institutions as a group has been favorable to the balance of payments. This favorable inflow has been based on receipts from procurement in the U.S. of goods and services, interest paid to U.S. holders of loan participations and bonds, the administrative expenses of the banks who keep their headquarters in Washington, and investments by the banks in the U.S. While there are undeniably outflows connected with subscriptions and contributions paid in cash, bond sales and loan participations in the U.S., and interest paid on investments in the U.S., the amounts flowing into the U.S. have been larger than the amounts flowing out in all except one of the last eight years.

Participation in IDA, however, normally does involve a balance-of-payments cost for the U.S. This cost reflects the fact that the U.S. share in IDA contributions is based upon broad burden-sharing concepts designed to reflect a country's relative position in the international economy, while the U.S. share in procurement tends to be related to its share in the imports of IDA's borrowers. Thus, the U.S. has had close to 50 percent of GNP of IDA donor countries and contributed about 40 percent of its country contributions; at the same time its share in IDA procurement has been around 20 percent. This has resulted in a balance-of-payments cost to the U.S.—a minor one to date but expected to increase. The lower share which has been achieved for the U.S. in contributions, accordingly, will mean a smaller balance-of-payments costs.

The Committee has considered the balance-of-payments cost as well as the benefits from U.S. participation in the IDA, and concluded that benefits outweigh the cost.

From the viewpoint of foreign relations, the IDA and other international financial institutions are an important part of the system that has developed since World War II to handle multilateral economic issues on a cooperative basis. Continued leadership in the international development lending institutions is an integral part of the overall effort, which also includes reform of the international monetary system and improvements in the field of international trade and investment. The ability of the U.S. to conclude monetary and trade agreements which we view as essential to our own progress depends on cooperation of the developing countries—whose support will be influenced by our ability to help meet their concerns for their own progress—as well as other developed countries continuing to feel that the U.S. is doing its fair share in the financing of development. And the effectiveness of our own bilateral assistance programs is dependent in many ways on the complementary assistance provided by IDA and other multilateral institutions.

There are also direct economic benefits to the U.S. from U.S. participation in IDA that are likely to be considerably more important than the direct balance-of-payments costs. Thus, the proposed IDA replenishment will make it possible for the developing countries to undertake investments in productive facilities averaging around $3 billion per year. While the benefits to the U.S. from these investments may be difficult to quantify, they are bound to result in improved export markets for us, as well as an improved availability of raw materials and semi-manufacturers at prices lower than they would otherwise have been.

Moreover, the balance-of-payments cost of any particular replenishment is spread out over a period of years, so that it has little relevance to the current situation. In the cast of the IDA, the balance-of-payments cost can be spread out over a period of ten years or more through the use of letters of credit which have an impact on the balance of payments (and budget) only when they are encashed to meet disbursement needs. The U.S. and most other countries have taken advantage of this possibility. As a result, budgetary outlays have been considerably below appropriations for the IDA.

During the first 13 years of its existence—through June 30, 1973—U.S. payments to IDA totalled $814 million and IDA procurement in the U.S. totalled $426 million. In addiiton, IDA earned interest on cash contributions by certain members invested in the U.S. and incurred administrative expenses in the U.S. The average impact of the IDA on the U.S. balance of payments of these items has been less than $30 million per year.

The balance-of-payments cost of past contributions to the IDA, however, may be expected to average roughly $150 million annually in the 1975–77 period as a result of higher rates of disbursement and a surge of calls upon the U.S. contributions and the balance-of-payments safeguards of the Second Replenishment, which delayed its impact to 1975. This cost is estimated to peak in 1975–76 and then decline rapidly after 1977.

On the other hand, the balance-of-payments cost of the proposed Fourth Replenishment would have a minimum effect through 1976 and peak in 1978. On the assumption that the currency realignments of 1971 and 1973 will increase the U.S. share in IDA procurement from the cumulative 19 percent to perhaps 22 percent, the balance-of-payments cost to the U.S. of the Fourth Replenishment may be estimated at about $50 million in FY 1976 and an average of about $75 million in the subsequent four years. A more dramatic improvement in the U.S. share of procurement would, of course, lessen the balance-of-payments cost.

It should be recognized, however, that the question of IDA's cost to the U.S. balance of payments should be seen in the broader context of U.S. participation in the World Bank, which includes both IDA and IDA's parent institution, the International Bank for Reconstruction and Development. Specifically, when transactions involving the IBRD are taken into account, total balance-of-payments inflows to the U.S. on World Bank account exceed outflows by a wide margin.

Maintenance of Value

Initial subscriptions (90% portion) and resources provided under the first three replenishments provided for maintenance of value in terms of 1960 U.S. gold dollars so long as and to the extent that they had not been initially disbursed or exchanged for the currency of another member.

Under the Fourth Replenishment, however, there will be no maintenance of value obligation. Instead, each member will agree to make its contribution in a stated amount of its own currency equal to its share of the replenishment at official New York exchange rates as of the date agreement was reached on the replenishment, September 27, 1973. For the United States, this means simply that the final amount of our contribution would be $1,500 million, without any future adjustment.

Conclusion

IDA needs a replenishment of funds to permit the World Bank Group to provide adequate assistance, in the form of loans, which will finance sound development projects in developing nations—particularly in the poorest of those nations. The money will be spent not only for highways, dams, farming and industrial developments but for programs such as health, education and population programs that directly work with and for the people of poverty-stricken nations.

Because of its long experience, unmatched pool of technical expertise drawn from all countries, and freedom from political considerations, the International Development Association is in a strong position to influence developing countries to become both more productive and

more self-reliant, by improving their overall economic programs and policies.

Your Committee feels that contributing to multilateral lending institutions is a necessary and integral part of international economic cooperation. This cooperation is absolutely essential in view of the increasing economic interdependence of the United States and the developing nations. This interdependence is evident in the markets these countries provide for U.S. goods and services and in the raw materials which they supply to the U.S.

U.S. relations with developing countries are important economically. These countries purchase more from us than we do from them, and even more importantly they provide us with one-third of our raw materials imports. Many of the most vital raw materials can be obtained only from developing countries.

International economic cooperation involves not only development assistance but international monetary reform and international trade and investment—fields which include the developing countries. Our ability to negotiate in the trade and monetary areas will be strongly influenced by our ability to do our part in international development assistance.

Aiding the growth of nations that are at the same time such important sources and markets for us makes good economic and political sense. This aid can be well provided through proven institutions, such as the international development banks.

The U.S. must seriously promote international economic cooperation, especially with the developing nations; and IDA urgently needs additional resources.

Private Ownership of Gold

This bill includes provisions to modify existing restrictions on private ownership of gold. Under current law, the President may in his discretion lift gold ownership restrictions at any time. The bill allows the President discretion to eliminate gold restrictions until December 31. After that date, restrictions on private gold ownership would be lifted automatically.

The laws as modified by the bill would allow export controls on gold during times of emergency.

The Committee notes that the Federal Reserve does not recommend enactment of this provision, and that the Secretary of the Treasury has said that enactment of a particular date for ending restrictions on private gold ownership would be "unwise"; however, the Secretary also has stated that barring unforeseen circumstances he hopes to recommend ending restrictions by the end of the year.

Cost of Carrying Out the Bill and the Committee Vote

In compliance with clause 7 of Rule XIII of the Rules of the House of Representatives, the following statement is made relative to the cost incurred in carrying out this bill. A majority of the Committee believes that it would be appropriate to authorize the appropriation, without fiscal year limitation, of four equal installments of $375,000,000 for payment by the Secretary of the Treasury for the United

States share of the increase in the resources of the International Development Association.

Appropriations of $375 million are expected to be requested in each year from FY 1976–1979. There will be virtually no budgetary impact in the early years. The ultimate impact will be spread over a number of years, as payments from IDA funds are made only as required by recipients, and projects typically require several years to complete.

In compliance with clause 27 of Rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote on the motion to report a bill. The bill was ordered to be reported by a vote of 19 for and 8 against.

Funding of U.S. Contributions

The authorization contained in this legislation poses a special problem. It enables the United States to undertake an international commitment, but in practice the United States' fulfillment of that commitment depends on subsequent appropriations.

In the context of our subscription to IDA, there is a clear need to undertake this international commitment. More than twenty other countries will be putting up twice as much as the United States—over $3 billion. These countries are undertaking an international obligation to fulfill their part of the bargain; if we want IDA to work we must undertake the international obligation to do our share.

It has been the practice in past Replenishments of the Resources of IDA for the United States to enter into a binding legal commitment to contribute fully to the Replenishment over a period of time only after funds for the first installment have been appropriated. In addition, in the case of IDA's Third Replenishment, at the time of the appropriation of the first installment, assurances were given by the Appropriations Committees that there was no intention of withholding the second and third installments.

The mechanism of waiting for the appropriation of the first installment before committing the United States to the full replenishment is not available in the present case. Payment of the first installment is not due until fiscal 1976, and thus the request for appropriations will not be considered by the Appropriations Committees until late in 1975. However, IDA will have run out of commitment authority by July 1974 and the United States should make its legal commitment by June 30, 1974.

The United States must be able to join with other countries in providing IDA with the commitment authority it needs to stay in operation after June 30.

The Committee emphasizes this point because it wishes the House to be aware that this authorization bill will result in a binding international commitment by the United States. Congress should be aware now that a valid international commitment will exist when appropriations to cover this agreement are requested.

Section-by-Section Analysis

Section 1.—Authorizes the United States Governor to the International Development Association to agree on behalf of the United States to contribute $1,500,000,000 (in four equal installments of $375,000,000) to the Association, and authorizes the appropriation of amounts necessary for the payment.

Section 2.—Amends Section 3 of the Par Value Modification Act by revising two subsections as follows:

Subsection (b)

Subsection (b) amends Section 3(b) of the Par Value Modification Act to provide that no rule, regulation or order in effect at the time Section 3 becomes effective may be construed to prohibit any person from purchasing, holding, selling or otherwise dealing in gold. This section would make it clear that the regulations now in effect in Title 31 of the Code of Federal Regulations, Sections 54.1–54.35, are no longer of any force and effect. This subsection, together with Section 3(a) of the Par Value Modification Act, make explicit that Americans are allowed to hold gold both at home and overseas.

Section 3(a) of the Par Value Modification Act repeals Sections 3 and 4 of the Gold Reserve Act of 1934 (31 U.S.C. 442, 443). These already repealed sections of the Gold Reserve Act provide for the establishment of regulations for the holding of gold and for penalties for the violation of those regulations.

Subsection (b) would make a change in the present Section 3(b) of the Par Value Modification Act. That law would provide that no law in existence at the time of effectiveness of the Par Value Modification Act may be construed to prohibit the use or ownership of gold. This formulation would put gold in a special position not applicable to any other commodity and exempt gold from regulations that any other commodity might be subject to. For example, in a national emergency, the President could regulate the holding or transfer of any commodity in which any foreign country or foreign national had an interest. It would be anomalous, indeed, if the President could regulate other commodities in an emergency but he could not regulate gold. The existing Par Value Modification Act clearly goes beyond what is necessary to eliminate the present restrictions on gold ownership and creates a serious loophole which could endanger the country's financial security at some future time.

Subsection (c)

Subsection (c) makes a significant change in the present subsection (c) of the Par Value Modification Act. It would provide that the restrictions on gold ownership would have to be removed by December 31, 1974. But it would allow the President to make a finding at an earlier time and report this finding to Congress that international monetary reform has proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position.

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3 of rule XII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics, existing law in which no change is proposed is shown in roman):

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XII of the Rules of hte House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing in which no change is proposed is shown in roman):

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

* * * * * * *

SEC. 14. (a) The United States Governor is hereby authorized to agree on behalf of the United States to pay to the Association four annual installments of $375,000,000 each as the United States contribution to the Fourth Replenishment of the Resources of the Association.

(b) In order to pay for the United States contribution, there is hereby authorized to be appropriated without fiscal year limitation four annual installments of $375,000,000 each for payment by the Secretary of the Treasury.

SECTION 3 OF PUBLIC LAW 93-110

SEC. 3. (a) * * *

[(b) No provision of any law in effect on the date of enactment of this Act, and no rule, regulation, or order under authority of any such law, may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold.

[(c) The provisions of this section, pertaining to gold, shall take effect when the President finds and reports to the Congress that international monetary reform shall have proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position.]

(b) No rule, regulation, or order in effect on the date subsections (a) and (b) become effective may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold in the United States or abroad.

(c) The provisions of subsections (a) and (b) of this section shall take effect either on December 31, 1974, or at any time prior to such date that the President finds and reports to Congress that international monetary reform shall have proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position.

SUPPLEMENTARY VIEWS TO H.R. 15465 OF CONGRESSMEN BEN B. BLACKBURN, PHILIP M. CRANE, AND LAWRENCE G. WILLIAMS

When the House of Representatives considered the fourth replenishment of the International Development Association on January 23, 1974, we opposed it.

We now support the new bill, H.R. 15465, for the following reason: It contains Title II which restores to every American citizen the right to buy, sell, and own gold by a date certain.

Mr. Crane has been the primary House sponsor of legislation to restore the right and we are very pleased that the full committee has overwhelmingly voted its inclusion in this bill.

Because the Senate has already acted on its bill, S. 2665, and because it includes an amendment which also will permit American citizens to own, buy or sell gold on or before a date certain, the only point in dispute when the IDA bill goes to conference will be to compromise on the effective date. H.R. 15465 provides for the right to be restored on or before December 31, 1974. The Senate language provides for the right to be restored on September 1, 1974.

In addition, in response to a series of specific inquiries to Secretary Simon, Undersecretary Volcker and Assistant Secretary Hennessey, we have been reassured on a number of points which concern us and many of our colleagues with regard to the Internal Development Association. These reassurances include the following:

1. The Republic of Vietnam will receive favorable consideration for loans of $50 million a year from this IDA replenishment.
2. Those members of the Organization of Petroleum Exporting Countries who have previously been recipients of IDA loans, will no longer be eligible for them.

In these meetings, we have also stressed the continuing concern of a number of our colleagues and us with regard to the following specific policies:

1. Continuing membership of the Republic of China in the IMF and the IBRD. It has been stressed to U.S. representatives of the IMF and the IBRD and Treasury officials that continuing membership for the Republic of China in the IMF and the IBRD will be a prime prerequisite for continued support of funding of IDA as it comes up for its annual appropriations process if H.R. 15465 passes. That is, the Congress will have the opportunity to review annually the funding of IDA and will, we believe, consider continuing membership of the Republic of China in the IMF and the IBRD as one of the prime prerequisites to any continued funding.
2. Purchase of military hardware by recipients from non-donor nations. A number of our colleagues expressed concern over the fact that some recipient nations of IDA purchased armaments from non-con-

tributing nations (particularly the Communist countries.) We have expressed our concern over this and have been assured by officials that "IDA normally monitors the appropriateness of budgetary policy of its borrowers—including the proportions spent for military purposes" and that this close scrutiny will, in fact, be intensified.

3. Secretary Volcker has assured Mr. Crane in his letter of June 14 that "the idea of a system of financial disclosure by senior officials has merit and will be explored promptly with the World Bank." We support this move and trust it will be expeditiously considered and promptly implemented.

4. We have also expressed our deep concern over those recipient nations of IDA loans which have chosen to detonate nuclear devices. This is a particularly obnoxious action for several reasons: The first is quite obviously the diversion of resources from more urgently needed priorities, such as feeding its own population, to a militarily destabilizing "prestige" project.

Equally important, however, is the fact that nuclear nonproliferation has long been a major premise of American foreign policy. A great deal of our foreign policy activity has rested on the premise that we will try to limit the proliferation of nuclear weapons wherever possible. For the United States, even indirectly, to support nations which are so clearly violating such a fundamental tenet of our foreign policy, is unthinkable to us and we believe to a majority of our colleagues here in the House. Therefore, we are pleased that World Bank and IDA officials will examine very closely their lending policies to any nation which may detonate a nuclear device. In his letter to Mr. Crane, Undersecretary Volcker noted that "the United States is sure that all aid donors will want to review carefully the implications of the Indian nuclear program in relation to India's long-range economic development."

In summary, because of the restoration of the right to own gold, and because of these major policy clarifications, we feel the bill H.R. 15465 is deserving of support.

Ben B. Blackburn.
Philip M. Crane.
Lawrence G. Williams.

DISSENTING VIEWS OF HENRY B. GONZALEZ AND ROBERT G. STEPHENS, JR.

The Committee never considered the merits of added U.S. contributions to the International Development Association. Instead, in one hearing and two markup sessions, the wholly nongermane subject of private gold ownership was debated. Gold ownership may have merit, but has not been given any study in either the House or Senate. The only reason for this provision is the frank belief it will persuade a few advocates of immediate repeal of restrictions on private gold ownership to support IDA. So the Committee went through a tortuous process to escape the spirit, if not the letter, of the House rules, in order to give these few what they demanded.

Nobody has ever asked for a hearing on the merits of private gold ownership. Instead the advocates of repeal have concentrated on tacking this issue on to other bills: first, the Par Value Act, then the Coinage Act, and today the International Development Association Act.

There may be merit in authorizing private gold ownership. Whether there is or not, it is a subject that has absolutely nothing to do with IDA, and ought not be a part of this bill.

Nobody really knows the consequences of this gold ownership provision; apparently no one cares to ask, preferring to concentrate on clever maneuvers than sound legislative procedure. This despite the fact that neither the Secretary of the Treasury, nor Chairman of the Federal Reserve Board, thinks it wise to set a date certain for repeal of the gold restrictions. And this despite the fact that present law allows the President to lift these restrictions at any time. Last year we were told that it would be unwise to repeal our gold statutes as long as the place of gold in the international monetary system remains an unsettled issue. It is still an unsettled issue—more unsettled today than a year ago, with the new agreement that allows countries to put their monetary gold up as collateral on loans intended to bail Italy and others out of problems generated by oil costs.

In the name of leveraging a few votes for IDA, the Committee would thus recommend that we unilaterally change the laws restricting private ownership of gold. This flies in the face of the official recommendations that we have available. Privately, advocates of this action have assurances that everything is going to be all right; but where is the official of the Executive who is willing to make an official statement endorsing this ploy?

Making contributions of a billion and a half dollars is a serious business. But neither in Subcommittee nor Committee sessions did this ever come up. The main subject was lost in all the gamesmanship over gold.

The International Development Association is undoubtedly important. It is the largest source of easy loan money to the poorest countries in the world. It operates only in places where annual incomes are less than $375 per capita. IDA attempts to help overcome some of the most desperate problems in the world. Yet it is fair to ask whether it has made progress, and whether its investments have always been wise. But neither the "gold bugs" nor the Committee majority seem interested in IDA; only in obscuring it with the glint of gold. If IDA needs a crutch of gold, it cannot stand alone. If it cannot stand alone, on its own merit, there is no reason for the United States to continue contributing to it.

HENRY B. GONZALEZ.
ROBERT G. STEPHENS, Jr.

DISSENTING VIEWS OF CONGRESSMAN JOHN H. ROUSSELOT AND CONGRESSMAN JOHN B. CONLAN

H.R. 15465, is , with one exception, virtually identical in its effect to the bill H.R. 11354, which the House defeated on January 23, 1974, by a vote of 155–248. The bill provides for a contribution of $1.5 billion to be made by the United States in four annual installments of $375 million each as its part of the Fourth Replenishment of the International Development Association, an agency of the World Bank.

We shall oppose this legislation with the same vigor with which we opposed H.R. 11354, for the following reasons:

1. The notion that the United States can in any way be considered obligated to contribute one third of the total replenishment made by all contributing countries has been rendered obsolete by world events. This development was acknowledged by Mr. Reuss, a supporter of IDA, during the Floor debate last January, when he said, referring to the "energy crisis":

> That crisis has turned what looked like perennial balance of payments surpluses for most of the industrialized countries into perennial deficits. The new holders of excess reserves will be the oil-producing countries, mainly in the Middle East.
>
> The proposed fourth replenishment fails to recognize this shift in world economic capacity and responsibility. With this in mind, I recently wrote Secretary of State Kissinger asking for a revamping of the World Bank family so as to permit vastly increased contributions and control by the oil-producing countries in order to make the international economic effects of the oil crisis more manageable.

For the United States to contribute another $1.5 billion to IDA would perpetuate through the rest of this decade a relationship which is based on a post-World War II concept of this country as wealthy benefactor to all mankind. If this concept ever had any validity, it clearly has none in these times when the United States is plagued by severe inflation and threatened with critical energy and mineral shortages which have been caused by many of the nations which it once so literally assisted. We must learn to adjust as a nation to the new realities of world affairs, and the IDA replenishment is a good place to begin.

2. The "soft" terms of IDA loans—50 years for repayment, with a 10-year grace period, no interest, and an "administrative charge" of three-quarters of one percent—are an affront to American consumers and taxpayers who have to scramble for money at 8, 9, 10, and 11 percent interest. This affront is compounded by the fact that IDA money is often lent by countries which receive interest-free IDA loans to their citizens at substantial interest rates, a point which was established last January by the following colloquy:

> Mr. LONG of Maryland. Mr. Chairman, will the gentleman yield?

Mr. Johnson of Pennsylvania. I yield 1 minute to the gentleman from Maryland.

Mr. Long of Maryland. I thank the gentleman for yielding. I am a little troubled by some aspects of IDA and various multilateral lending institutions. One concerns interest rates. I wonder if the gentleman can tell me at what rates of interest IDA is lending to these underdeveloped countries. Could the gentleman tell me what rate of interest IDA charges?

Mr. Johnson of Pennsylvania. No interest, but a three-quarter of 1 percent carrying charge.

Mr. Long of Maryland. When the borrowing nations turn around and lend to farmers and others, at what rates do they lend? They lend at the prevailing rates of the country, is that not right, at between 12 and 20 percent?

Mr. Johnson of Pennsylvania. Yes.

Mr. Long of Maryland. That is what troubles me. We are lending to these countries at what is virtually a giveaway, but when they turn around and lend to these poor people, the people have to pay through the nose. Consequently we get a bad name and most of the good will from the aid is dissipated. Is this not true?

Mr. Carter. Mr. Chairman, if the distinguished gentleman will yield, I find that the answer was a little confusing and somewhat wrong. Actually the hard loans carry an interest rate of 1 percent for the first 10 years and 3 percent for the next 30 years. Actually most of the soft loans under which most of this is loaned have no interest rate whatever for 50 years, as it is stated here. It amounts not to a loan, but to a giveaway.

Mr. Long of Maryland. I agree with the gentleman, but when these countries lend this money to their poor, they are charging interest rates far higher than what the poor would pay in this country. I am wondering whether we should not have some arrangement where they lend to their poor at the same concessionary rates as the international lending instrument does, or that we lend them the money, but at the same rate that the U.S. taxpayers have to pay on our national debt.

We cannot understand how Congress can justify the authorization of $1.5 billion in funds which will have to be borrowed at about 6 percent interest to be lent at no interest through IDA to so-called "developing" nations which will then have an opportunity to earn substantial interest and profits from this "free" money.

3. Finally, Congress should also consider the effect which this proposed contribution to IDA will have on the Federal budget and whether it is consistent with a reasonable set of spending priorities. During the debate last January Mr. Rousselot made a prediction concerning the probable reaction in Congress to the shortage of mortgage money:

Mr. Rousselot. Mr. Chairman, will the gentleman yield?

Mr. Carter. Mr. Chairman, I yield to the gentleman from California.

Mr. Rousselot. Mr. Chairman, I think the gentleman from Kentucky makes an excellent point. I have the privilege of serving on the Housing Subcommittee of the Committee on Banking and Currency. We have talked extensively about the shortage of mortgage money in this country, right now. Many of our constituents are concerned about this real problem.

Here we are in this bill turning around and providing in many cases noninterest loans for foreign countries, yet our own people are having a struggle to obtain mortgage money at home. In addition the U.S. Treasury is probably going to have to subsidize the $1.5 billion out of the U.S. coffers to do that.

Mr. Chairman, I think the gentleman makes an intelligent point. I appreciate his raising the idea. Everyone in this House who has been concerned about the problems of mortgage money will agree that this just takes that much more away from our U.S. Treasury and in turn the private money market.

That prediction came true just last week when the House voted 274 to 112 to add to a $10 billion housing bill a provision for *$1.5 billion* in low-interest loans to be made to non-profit sponsors of housing for the elderly under the "section 202 program." During the debate the point was eloquently made that the budget impact of the amendment was intolerable, and we agreed.

Nevertheless, the amendment passed, and another $1.5 billion in deficit money must be set aside to finance the program over the next five to six years. Now, if the Congress passes H.R. 15464, where are we going to get another $1.5 billion for IDA? And how are the three dozen Members of Congress who voted for IDA in January and against the elderly housing fund last week going to justify voting for IDA now?

The only difference between this bill and the one defeated in January is that this bill contains, in addition to an authorization of $1.5 billion for IDA, a section which would permit American citizens to own gold by the end of this calendar year. This provision was added because supporters of IDA were afraid she would be harmed if they sent her into the Congressional woods without gilt-edged security.

Permission for Americans to own gold, like the proverbial "idea whose time has come," should and can be achieved, whether or not this bill becomes law. There is no need to obtain it at the cost of perpetuating IDA, an idea whose time has clearly passed.

It is instructive to note that even the sponsors of the gold amendment in the Senate, Senators Dominick and McClure, who had tacked a similar provision onto the Senate-passed IDA bill, voted against the bill on final passage. Those of us in the House who believe that Americans should be permitted to own gold can accomplish this objective through separate legislation amending P.L. 93–110. In addition, present provisions of P.L. 93–110 allow the President, by administrative action, to restore this right to Americans.

We urge our colleagues not to be deceived into supporting H.R. 15465. There is no justifiable reason why Americans should have to see their hard-earned tax dollars given to IDA in exchange for the restoration of the fundamental right to own gold.

John H. Rousselot.
John B. Conlan.

CORRECTED SHEET

S. 2665

Ninety-third Congress of the United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Monday, the twenty-first day of January, one thousand nine hundred and seventy-four

An Act

To provide for increased participation by the United States in the International Development Association and to permit United States citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the International Development Association Act (22 U.S.C. 284 et seq.) is amended by adding at the end thereof the following new section:

"Sec. 14. (a) The United States Governor is hereby authorized to agree on behalf of the United States to pay to the Association four annual installments of $375,000,000 each as the United States contribution to the Fourth Replenishment of the Resources of the Association.

"(b) In order to pay for the United States contribution, there is hereby authorized to be appropriated without fiscal year limitation four annual installments of $375,000,000 each for payment by the Secretary of the Treasury.".

Sec. 2. Subsections 3 (b) and (c) of Public Law 93–110 (87 Stat. 352) are repealed and in lieu thereof add the following:

"(b) No provision of any law in effect on the date of enactment of this Act, and no rule, regulation, or order in effect on the date subsections (a) and (b) become effective may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold in the United States or abroad.

"(c) The provisions of subsections (a) and (b) of this section shall take effect either on December 31, 1974, or at any time prior to such ~~date that the President finds and reports to Congress that international~~ monetary reform shall have proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position.".

Sec. 3. The International Development Association Act (22 U.S.C. 284 et seq.) is amended by inserting at the end thereof the following:

"Sec. 15. The United States Governor is authorized and directed to vote against any loan or other utilization of the funds of the Association for the benefit of any country which develops any nuclear explosive device, unless the country is or becomes a State Party to the Treaty on the Non-Proliferation of Nuclear Weapons (21 UST 483)."

Speaker of the House of Representatives.

Vice President of the United States and President of the Senate.

August 2, 1974

Dear Mr. Director:

The following bills were received at the White House on August 2nd:

S. 2665
S. 3477
H.R. 11873

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C.