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APPROVED
DEC 22 1974

ACTION

THE WHITE HOUSE
WASHINGTON

Last Day: December 23

December 20, 1974

*Placed in
calendar 12/23*
*To ARCHIVES
12/24*

MEMORANDUM FOR THE PRESIDENT
FROM: KEN COLE
SUBJECT: Enrolled Bill S. 2193 - Increased U.S.
Participation in the Asian Development Bank

Attached for your consideration is S. 2193, sponsored by Senator Fulbright, which

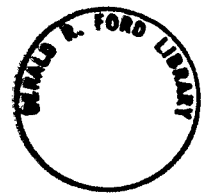
- Provides authority for the United States to subscribe to an additional 30,000 shares of the ordinary capital stock of the Asian Development Bank and authorizes appropriations of approximately \$362 million, without fiscal year limitation, to pay for this subscription;
- authorizes a U.S. contribution of \$50 million to the Bank's special funds and authorizes appropriations of that amount, without fiscal year limitation, for that purpose.

OMB recommends approval and provides you with additional background information in its enrolled bill report (Tab A).

Max Friedersdorf and Phil Areeda both recommend approval.

RECOMMENDATION

That you sign S. 2193 (Tab B).





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 17 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2193 - Increased U.S.
participation in the Asian Development Bank
Sponsor - Sen. Fulbright (D) Arkansas

Last Day for Action

December 23, 1974 - Monday

Purpose

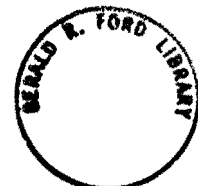
Provides authority for the United States to subscribe to an additional 30,000 shares of the ordinary capital stock of the Asian Development Bank and authorizes appropriations of approximately \$362 million, without fiscal year limitation, to pay for this subscription; authorizes a U.S. contribution of \$50 million to the Bank's special funds and authorizes appropriation of that amount, without fiscal year limitation, for that purpose.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of State	Approval
National Security Council	Approval
Export-Import Bank of the United States	Approval
Agency for International Development	No objection
Council on International Economic Policy	No objection
Federal Reserve Board	No objection (Informally)

Discussion

The Asian Development Bank, founded in 1966, is a regional development lending institution created specifically to foster economic growth and cooperation in Asia and the



Far East and to contribute to accelerated economic development in its recipient member countries. The Bank makes "hard" loans (loans at or near commercial rates) from its ordinary capital resources, which are derived from the paid-in portion of members' purchases of the Bank's capital stock and from private market borrowings guaranteed by the members. The Bank's special funds, known as the Asian Development Fund and consisting of voluntary contributions from member countries, allow the Bank to engage in concessional lending, or "soft" loans.

As a founding member of the Bank, the United States initially subscribed to \$200 million or 20 percent of the Bank's originally authorized ordinary capital stock. In recent years, the Congress has also authorized \$100 million for contribution to the special funds of the Bank. Half of that amount has been appropriated; appropriation of the remaining \$50 million has been requested from Congress.

The enrolled bill incorporates, without amendment, the provisions of two Administration proposals for increased U.S. participation in the Asian Development Bank.

The first section of the bill would enable the U.S. to participate in the replenishment of the Bank's ordinary capital by authorizing the U.S. to subscribe to 30,000 additional shares of the Bank's capital stock. To pay for this increased subscription, S. 2193 would authorize appropriations of approximately \$362 million without fiscal year limitation. Of that total amount, expected to be paid in three, equal, annual installments, 80 percent, or \$289 million, would be in the form of callable capital, which guarantees the Bank's borrowings from private capital markets. Only in the unlikely event of major, sustained defaults on Bank loans and after exhaustion of the Bank's substantial reserves against losses would any outlays be required to be made from the callable capital. The remaining 20 percent (\$72 million) of the ordinary capital subscription would be in the form of paid-in capital. Of the paid-in portion, only 40 percent would be in cash, thus resulting in annual outlays of approximately \$9.6 million for the next three years, while the remaining 60 percent would be in non-interest bearing letters of credit to be drawn down later as needed by the Bank.



The second section of S. 2193 would authorize the U.S. to contribute \$50 million to the Bank's special funds and would authorize appropriations of that amount, without fiscal year limitation, for that purpose. It is anticipated that the \$50 million authorized to be appropriated will be requested in the fiscal 1976 budget.

Most of the Bank's member nations have taken up their respective shares of the increase in the Bank's ordinary capital. As a result of the delay in U.S. participation in the replenishment, our voting power and ability to influence the policies and direction of the Bank has decreased sharply. Enactment of the bill will allow us to regain an appropriate degree of influence, both within the Bank and the region, and will assist the Bank to continue in its role as a major development lending institution in Asia.

Wilfred H. Remmel

Assistant Director for
Legislative Reference

Enclosures



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 788

Date: December 17, 1974

Time: 7:00 p.m.

FOR ACTION: ~~Sheff~~ Shepard
Bill Timmons *th*
Phil Areeda *ok*

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: December 20 (Friday)

Time: 11:00 a.m.

SUBJECT:

Enrolled Bill S. 2193 - Increased U.S. Participation
in the Asian Development Bank

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor, 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

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 788

Date: December 17, 1974

Time: 7:00 p.m.

FOR ACTION: Geoff Shepard ✓
Bill Timmons
Phil Areeda

cc (for information): Warren Hendriks
Jerry Jones

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DUE: Date: December 20 (Friday)

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SUBJECT: Enrolled Bill S. 2193 - Increased U.S. Participation
in the Asian Development Bank

ACTION REQUESTED:

___ For Necessary Action

For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

For Your Comments

___ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor, West Wing

No objection

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

THE WHITE HOUSE
WASHINGTON

December 18, 1974

MEMORANDUM FOR: WARREN HENDRIKS
FROM: MAX L. FRIEDERSDORF *m.f.*
SUBJECT: Action Memorandum - Log No. 788
Enrolled Bill S2193 - Increased U.S.
Participation in the Asian Development
Bank

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

Attachment



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 788

Date: December 17, 1974

Time: 7:00 p.m.

FOR ACTION: Geoff Shepard
Bill Timmons
Phil Areeda ✓

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: December 20 (Friday)

Time: 11:00 a.m.

SUBJECT:

Enrolled Bill S. 2193 - Increased U.S. Participation
in the Asian Development Bank

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor, West Wing

*Sign
P. Areeda*



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



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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1974

Mr. William D. Skidmore
Chief, Business-General
Government Branch
Office of Management and Budget
New Executive Office Building - Room 7220
17th Street and Pennsylvania Avenue, N. W.
Washington, D. C. 20503

Dear Mr. Skidmore:

This letter is in response to your request for the views of the Federal Reserve Board on Enrolled Bill S. 2193.

As we advised you by telephone on December 12, 1974, the staff of the Federal Reserve Board has no objections or comments concerning this proposal.

Very truly yours,

A handwritten signature in cursive script that reads "Theodore E. Allison".

Theodore E. Allison
Secretary of the Board





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

DEC 12 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. 2193, "To provide for increased participation by the United States in the Asian Development Bank."

The enrolled enactment would authorize the U.S. Governor of the Asian Development Bank to subscribe on behalf of the United States to 30,000 additional shares of the capital stock of the Bank in accordance with the ordinary capital replenishment resolution which was adopted by the Bank's Board of Governors on November 30, 1971, and would authorize an appropriation of \$361,904,726, without fiscal year limitation, to pay for the increase in the U.S. subscription. It would also authorize the U.S. Governor to agree to contribute on behalf of the United States an additional \$50,000,000 to the Bank's Special Funds, and would authorize an appropriation of that amount without fiscal year limitation.

The enrolled enactment incorporates the provisions of two draft bills prepared in this Department and transmitted to the Congress after clearance by your office.

The Department recommends that the enrolled enactment be approved by the President.

Sincerely yours,

General Counsel





DEPARTMENT OF STATE

Washington, D.C. 20520

DEC 12 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 subscription to the Asian Development Bank's ordinary capital and Development Fund. The funds authorized by S.2193 will demonstrate United States support for this institution which has effectively promoted economic development in a region of great political importance to us. Because our international economic and foreign policy goals have been well served by the sound policies of the Asian Development Bank the Department recommends approval of S.2193.

Cordially,

A handwritten signature in cursive script that reads "Linwood Holton".

Linwood Holton
Assistant Secretary
for Congressional Relations

NATIONAL SECURITY COUNCIL

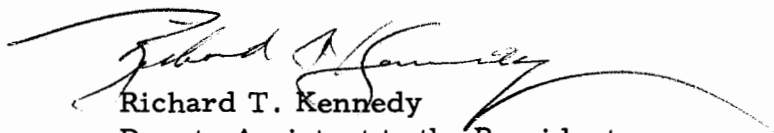
December 14, 1974

MEMORANDUM FOR:

W. H. ROMMEL
ASSISTANT DIRECTOR FOR LEGISLATIVE REFERENCE

SUBJECT: S-2193

The National Security Council Staff has no objections to S-2193 and recommends that the bill be signed.


Richard T. Kennedy
Deputy Assistant to the President
for NSC Planning



EXPORT-IMPORT BANK OF THE UNITED STATES

WASHINGTON, D.C. 20571

OFFICE OF THE
GENERAL COUNSEL

CABLE ADDRESS "EXIMBANK"
TELEX 89-461

December 11, 1974

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

Re: Enrolled Bill - S. 2193

Dear Mr. Rommel:

The Export-Import Bank of the United States has no objections to the above Bill and recommends that the President sign the above-referenced Bill.

Sincerely yours,

A handwritten signature in cursive script that reads "J. E. Corette, III".

J. E. Corette, III
General Counsel

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

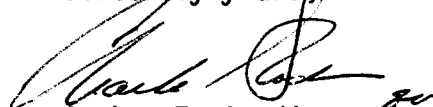
December 13, 1974

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

Dear Mr. Rommel:

The Agency for International Development has reviewed the
Enrolled Bill, S.2193, and has no objection to it.

Sincerely yours,


Arthur Z. Gardiner, Jr.
General Counsel



COUNCIL ON INTERNATIONAL ECONOMIC POLICY
WASHINGTON, D.C. 20500

December 12, 1974

MEMORANDUM FOR

W. H. Rommel, Assistant Director for
Legislative Reference, OMB

SUBJECT: Asian Development Bank Act - Enrolled Bill Request
S. 2193

CIEP has no objections to or recommendations for changes in the
proposed legislation.


David A. Hartquist
General Counsel

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

DEC 17 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2193 - Increased U.S.
participation in the Asian Development Bank
Sponsor - Sen. Fulbright (D) Arkansas

Last Day for Action

December 23, 1974 - Monday

Purpose

Provides authority for the United States to subscribe to an additional 30,000 shares of the ordinary capital stock of the Asian Development Bank and authorizes appropriations of approximately \$362 million, without fiscal year limitation, to pay for this subscription; authorizes a U.S. contribution of \$50 million to the Bank's special funds and authorizes appropriation of that amount, without fiscal year limitation, for that purpose.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of State	Approval
National Security Council	Approval
Export-Import Bank of the United States	Approval
Agency for International Development	No objection
Council on International Economic Policy	No objection
Federal Reserve Board	No objection (Informally)

Discussion

The Asian Development Bank, founded in 1966, is a regional development lending institution created specifically to foster economic growth and cooperation in Asia and the



Far East and to contribute to accelerated economic development in its recipient member countries. The Bank makes "hard" loans (loans at or near commercial rates) from its ordinary capital resources, which are derived from the paid-in portion of members' purchases of the Bank's capital stock and from private market borrowings guaranteed by the members. The Bank's special funds, known as the Asian Development Fund and consisting of voluntary contributions from member countries, allow the Bank to engage in concessional lending, or "soft" loans.

As a founding member of the Bank, the United States initially subscribed to \$200 million or 20 percent of the Bank's originally authorized ordinary capital stock. In recent years, the Congress has also authorized \$100 million for contribution to the special funds of the Bank. Half of that amount has been appropriated; appropriation of the remaining \$50 million has been requested from Congress.

The enrolled bill incorporates, without amendment, the provisions of two Administration proposals for increased U.S. participation in the Asian Development Bank.

The first section of the bill would enable the U.S. to participate in the replenishment of the Bank's ordinary capital by authorizing the U.S. to subscribe to 30,000 additional shares of the Bank's capital stock. To pay for this increased subscription, S. 2193 would authorize appropriations of approximately \$362 million without fiscal year limitation. Of that total amount, expected to be paid in three, equal, annual installments, 80 percent, or \$289 million, would be in the form of callable capital, which guarantees the Bank's borrowings from private capital markets. Only in the unlikely event of major, sustained defaults on Bank loans and after exhaustion of the Bank's substantial reserves against losses would any outlays be required to be made from the callable capital. The remaining 20 percent (\$72 million) of the ordinary capital subscription would be in the form of paid-in capital. Of the paid-in portion, only 40 percent would be in cash, thus resulting in annual outlays of approximately \$9.6 million for the next three years, while the remaining 60 percent would be in non-interest bearing letters of credit to be drawn down later as needed by the Bank.

The second section of S. 2193 would authorize the U.S. to contribute \$50 million to the Bank's special funds and would authorize appropriations of that amount, without fiscal year limitation, for that purpose. It is anticipated that the \$50 million authorized to be appropriated will be requested in the fiscal 1976 budget.

Most of the Bank's member nations have taken up their respective shares of the increase in the Bank's ordinary capital. As a result of the delay in U.S. participation in the replenishment, our voting power and ability to influence the policies and direction of the Bank has decreased sharply. Enactment of the bill will allow us to regain an appropriate degree of influence, both within the Bank and the region, and will assist the Bank to continue in its role as a major development lending institution in Asia.

(signed) Wilfred H. Rommel

Assistant Director for
Legislative Reference

Enclosures

INCREASED U.S. PARTICIPATION IN THE ASIAN DEVELOPMENT BANK

JULY 30, 1974.—Ordered to be printed

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

REPORT

[To accompany S. 2193]

The Committee on Foreign Relations, to which was referred the bill (S. 2193) to authorize increased participation by the United States in the Asian Development Bank, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and recommends that the bill as amended do pass.

PURPOSES AND COSTS OF THE BILL

S. 2193 amends the Asian Development Bank Act of 1966, as amended, to authorize the U.S. Governor of the Asian Bank, (i.e., the Secretary of the Treasury) to subscribe to thirty thousand additional shares of the Bank's capital stock on behalf of the United States. These shares would cost \$361,904,726 in current dollars (\$300 million in 1966 dollars) and the bill would also authorize appropriation of the sum without fiscal year limitation. The Committee amendment incorporated in S. 2193 the provisions of S. 2666. This latter bill would authorize the U.S. Governor of the Bank to agree to contribute on behalf of the United States an additional \$50,000,000 to the Bank's Special Funds, and would authorize appropriation of that amount without fiscal year limitation.

In all, the U.S. contributions to the Bank would total \$411,904,726, expected to be appropriated over the next three fiscal years. However, of the nearly \$362 million in ordinary capital stock, approximately \$289 million (80 percent) would take the form of callable or guarantee capital. Although the entire sum would be scheduled to be appropriated in three equal installments, only \$24 million would be in paid-in each year for ordinary operations and 60 percent of those payments

would be letters of credit. It is anticipated that the Treasury will request the \$50 million for Special Funds in fiscal year 1976.

BACKGROUND ON THE BANK

The Asian Development Bank (ADB) started operations in its Manila headquarters in December of 1966. Any member of ECAFE (the U.N. Economic Commission for Asia and the Far East) and other regional and "non-regional developed" countries participating in the United Nations or any of its specialized agencies is eligible for membership in the ADB under its Articles of Agreement, or charter. The Bank now has 41 members: 27 are regional countries, including the "developed" nations of Australia, Japan and New Zealand; 14 are non-regional members, including Canada, the United States and 12 Western European countries.

When the United States joined the Bank in March of 1966 (under Public Law 89-369) the original authorized capital was set at \$1 billion. The United States and Japan each subscribed to \$200 million of that ordinary capital, becoming the largest stockholders. Half that sum in each case took the form of callable capital to provide backing for borrowing by the Bank in private markets; the total of such borrowings currently is about \$255 million. The other half was "paid-in capital," payable in five installments, half in gold or convertible currency and half in national currency. The latter has been made available in the form of non-interest-bearing letters of credit; thus far, the Bank has drawn down one-third of the national currency portion. Almost three years ago the U.S. completed the installments on its paid-in subscription.

Through the end of 1973 the Bank had approved a total of \$1,376 million in loans to 21 regional member countries for 150 projects. Roughly \$320 million of this total derived from Special Funds. Ordinary capital loans now carry an annual interest rate of 7.5 percent, with average maturity periods of 15 to 20 years. The Bank's Special Funds have been used for concessional purposes and increasingly blended in support of ordinary operations. Interest charges on such Funds have ranged from 1.5 to 3 percent a year, including service charge, with maturity dates varying from 12 to 40 years including grace periods of 3 to 10 years. Of the 150 projects mentioned above: 35 have been devoted to agriculture, 35 to electric power, and the same number again to transport and communications sectors; 29 for industry, including development banks; 13 for water supply; and 3 for education. Using those categories, about \$365 million went for electric power, about \$343 million for industry, \$329 million for transport, \$172 million for agriculture, \$154 million for water supply and \$13 million for education. According to the ADB annual report for 1973:

The Bank's role as a catalyst of productive investment in developing member countries continued to be significant. At the end of 1973, the total cost of projects for which the Bank had provided direct financing was estimated at about \$2,514 million, of which the Bank loans represented approximately 45 percent. In addition, the Bank had made indirect financing through national development banks for projects with an estimated total cost of \$818 million, of which the Banks' loans accounted for about 30 percent.

It should also be noted that the Bank over the period 1967-1973 has devoted almost \$14 million to 98 technical assistance projects, the largest number in the field of agriculture.

INCREASED ORDINARY CAPITAL SUBSCRIPTION

In 1971, at the direction of the ADB Board of Governors, the Bank's Directors undertook a study which indicated that ordinary capital resources would be exhausted by the end of the next year. Accordingly, resolution number 46 adopted by the Governors on November 30, 1971 increased the authorized capital stock of the Bank by \$1,650 million, a 150 percent increase in 1966 dollars. The increase became effective in November 1972, when 22 members had subscribed to over \$1 billion of the increase. Under the terms of the resolution, 20 percent of the increase was to be paid-in capital, to be subscribed in three equal installments in fiscal years 1973-75, with each installment 40 percent payable in gold or convertible currency. The United States stood aside from this action and did not take up its assigned portion of the subscription. Thus the voting power of this country in the Bank has dropped from 16 percent to 7.6 percent.

The Board of Governors has continued to extend the period within which the United States may take up its assigned increased subscription. Under the terms of resolution 46, the percentage share of the U.S. in the increase would be the same as its roughly 20 percent share in the original subscription. The 150 percent ADB-wide increase thus would call for the United States to provide \$300 million in 1966 dollars or \$362 million in current dollars. Of this latter sum 80 percent (\$289 million) would be callable capital, and the remaining 20 percent (\$72 million) would be paid in through three equal installments. Of each paid-in portion, 40 percent would be in cash and 60 percent in non-interest-bearing letters of credit to be drawn down as needed to meet Bank disbursement requirements.

ASIAN DEVELOPMENT FUND

When the Bank's charter was written it was agreed that provision would be made for a "soft-loan," or concessional lending, window. Thus the Bank was authorized to accept contributions with which to conduct special financing operations, and to set aside up to 10 percent of its paid-in, unimpaired ordinary capital subscriptions for loans on concessional terms. Within a year after the ADB came into existence in 1966 the United States and Japan, the Bank's two largest stockholders, were discussing the need for voluntary contributions to special funds by the wealthier members. In September of 1968 the ADB Board of Directors established and adopted formal rules for the handling of the "Consolidated Special Funds of the Asian Development Bank" (consisting of an agricultural fund, a technical assistance fund and a multi-purpose fund).

As of the end of 1973 voluntary contributions totalling a little over \$343 million had been committed by Bank members, mainly by Japan. In addition, a total set-aside of over \$57 million (in terms of current dollars) came from the 10-percent provision concerning ordinary capital. As of that date the United States was credited with having contributed only one and a quarter million dollars to the Technical

Assistance Special Fund for procurement of services in this country under the foreign aid legislation.

However, there is a highly complicated situation existing with regard to U.S. contributions to the Special Funds. The executive branch of the U.S. Government has attempted, over a period of a half-dozen years, to secure a \$100 million United States contribution for the Bank's concessional lending. The Committee on Foreign Relations twice approved such a contribution (in 1970 and late 1971) and it was finally enacted on March 10, 1972. No appropriations were forthcoming for either fiscal years 1972 or 1973, and the authorization was scheduled to expire as of July 1, 1973. It was extended as a no-year authorization under foreign assistance legislation. Of the authorized "Special Resources" enacted in sections 12 to 17 of the Asian Development Bank Act, as amended, \$50 million has been appropriated and a request for the other \$50 million is outstanding. These funds would normally be tied to purchases of U.S. goods and services.

This plethora of soft-loan funds is in the process of being simplified; the Bank's Board of Governors in 1973 adopted a resolution entitled "establishment of the Asian Development Fund." Although not clearly stated, this contemplates a soft-loan process comparable to the World Bank's International Development Association. In other words, there would be a negotiated agreement among a substantial number of developed countries to make contributions to a special Fund for a finite period on a pro rata basis.

The resolution provides for a scale of contributions from the developed country members on the following one-time basis:

Member	Proposed contribution	Percentage share ¹
Australia	\$27,000,000	5.1
Austria	4,500,000	.9
Belgium	4,725,000	.9
Canada	10,000,000	1.9
Denmark	4,300,000	.8
Finland	3,800,000	.7
France	27,500,000	5.3
Germany	34,500,000	6.6
Italy	20,000,000	3.8
Japan	177,000,000	33.7
Netherlands	11,125,000	2.1
New Zealand	6,000,000	1.1
Norway	4,000,000	.8
Sweden	6,900,000	1.3
Switzerland	5,400,000	1.0
Switzerland (supplementary contribution)	750,000	.1
United Kingdom	27,500,000	5.3
United States	150,000,000	28.5
Total	525,000,000	

¹ Does not add because of rounding.

Payments into the Fund would be in national currencies at the rate of exchange to U.S. dollars used by the Bank in its books of account on the date the Resolutions are adopted. Thus, there would be no maintenance of value. The U.S. share in the proposed Asian Development Fund would be \$150 million. While this would represent 28.5 percent of the total of new contributions, when contributions by others to both existing and proposed Special Funds are taken into account, the U.S.

share of the cumulative total would be less than 20 percent. The largest share of the new Fund would be accepted by Japan, with 33.7 percent of the total; Japan's cumulative contribution to existing and proposed special funds would be close to 50 percent. It should be stressed that the first \$100 million of the U.S. contribution to the Asian Development Fund would consist of the \$100 million already authorized for Special Resources. The other member countries have made this special provision in order to encourage a more forthcoming attitude by the United States. There is required, therefore, a further authorization and appropriation of only \$50 million; the sum would not be required until FY 1976.

COMMITTEE ACTION

S. 2193 was introduced by Senator Fulbright (by request) on July 17, 1973. On November 7, 1973, Senator Fulbright (also by request) introduced S. 2666, to provide for increased U.S. contributions to the soft-loan funds of the Asian Bank. The Committee on Foreign Relations held a public hearing (printed) on both bills on November 19, 1973. At that time testimony supporting the two measures was received from the then Secretary of the Treasury, George P. Shultz, and from the then Under Secretary of State for Economic Affairs, William J. Casey.

Both bills were considered in executive sessions on May 13, June 11 and July 16, 1974. On the last-named date the Committee ordered S. 2193 reported favorably by a vote of 10 to 1 with an amendment in the nature of a substitute. In effect, S. 2193 not only absorbs the subject matter of S. 2666 (action on which is postponed indefinitely) but also is made to conform exactly with H.R. 11666, reported favorably by the House Committee on Banking and Currency on January 21, 1974. In the July 16 vote on S. 2193, those recorded in the affirmative were Senators Sparkman, Pell, McGee, Humphrey, Aiken, Case, Javits, Scott, Pearson and Percy; Senator Fulbright voted in the negative.

COMMITTEE COMMENTS

The Asian Development Bank has made an excellent record with relatively modest resources in the last eight years. The committee particularly calls attention to the virtues of modeling ADB policies and practices upon those of the World Bank and its IDA affiliate; it welcomes the evidence that the ADB management and the member countries agree, and encourages further progress in such a direction.

The committee also would emphasize the urgency of action on this legislation. The capital increase of which this proposal is a part came into effect internationally in November 1972, with most of the members of the Asian Development Bank participating. The result of the delay in U.S. participation has been a sharp drop in the U.S. share of the voting power and a consequent decrease in the U.S. ability to influence the policies and direction of the Bank. There is also urgency in the fact that the capital requirements of the Bank could necessitate a further capital replenishment in late 1977 or early 1978, to enable the Bank to continue its role as the major development lending institution in Asia. Intergovernmental consideration of such a replenish-

ment would normally begin next year, in order to allow ample time for completion of negotiations and legislative actions by governments.

In view of the concern expressed earlier by the Congress about the relatively small U.S. share in procurement under under Asian Development Bank financed projects, the committee notes that substantial progress has been made in this area. Whereas in 1972 the U.S. share amounted to only 7 percent of such procurement, that share rose in 1973 to 16 percent. The Committee is pleased with this development, which is due in large part to the realignment of currencies which has occurred in the last three years, and to the increasing familiarity of U.S. firms with the Asian Development Bank and its operations. In the latter connection, the Treasury Department and the U.S. representatives in the Asian Development Bank have been making extensive efforts to acquaint the U.S. business community with opportunities related to Asian Development Bank financing and insure equitable treatment for U.S. suppliers.

Accordingly, the Committee on Foreign Relations recommends that the Senate take prompt and favorable action on S. 2193.

CHANGES IN EXISTING LAW

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, 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 *italic*, existing law in which no change is proposed is shown in roman) :

ASIAN DEVELOPMENT BANK ACT, AS AMENDED

* * * * *

ACCEPTANCE OF MEMBERSHIP

SEC. 2. The President is hereby authorized to accept membership for the United States in the Asian Development Bank (hereinafter referred to as the "Bank") provided for by the agreement establishing the Bank (hereinafter referred to as the "agreement") deposited in the archives of the United Nations.

SEC. 3. (a) The President, by and with the advice and consent of the Senate, shall appoint a Governor of the Bank, an alternate for the Governor, and a Director of the Bank.

(b) No person shall be entitled to receive any salary or other compensation from the United States for services as a Governor or Alternate Governor. The Director may, in the discretion of the President, receive such compensation, allowances, and other benefits as, together with those received by him from the Bank, will equal those authorized for a Chief of Mission, class 2, within the meaning of the Foreign Service Act of 1946, as amended.

SEC. 4. (a) The policies and operations of the representatives of the United States on the Bank shall be coordinated with other United States policies in such manner as the President shall direct.

(b) An annual report with respect to United States participation in the Bank shall be submitted to the Congress by such agency or officer as the President shall designate.

SEC. 5. Unless the Congress by law authorizes such action, neither the President nor any person or agency shall, on behalf of the United States, (a) subscribe to additional shares of stock of the Bank; (b) vote for or agree to any amendment of the agreement which increases the obligations of the United States, or which would change the purpose or functions of the Bank; or (c) make a loan or provide other financing to the Bank, except that funds for technical assistance not to exceed \$1,000,000 in any one year may be provided to the Bank by a United States agency created pursuant to an Act of Congress which is authorized by law to provide funds to international organizations.

DEPOSITORIES

SEC. 6. Any Federal Reserve bank which is requested to do so by the Bank shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

PAYMENT OF SUBSCRIPTIONS

SEC. 7. (a) There is hereby authorized to be appropriated, without fiscal year limitation, for the purchase of twenty thousand shares of capital stock of the Bank, \$200,000,000.

(b) Any payment made to the United States by the Bank as a distribution of net income shall be covered into the Treasury as a miscellaneous receipt.

JURISDICTION AND VENUE OF ACTIONS

SEC. 8. For the purpose of any civil action which may be brought within the United States, its territories or possessions, or the Commonwealth of Puerto Rico, by or against the Bank in accordance with the agreement, the Bank shall be deemed to be an inhabitant of the Federal judicial district in which its principal office or agency in the United States is located, and any such action to which the Bank shall be a party shall be deemed to arise under the laws of the United States, and the district courts of the United States, including the courts enumerated in title 27, section 460, United States Code, shall have original jurisdiction of any such action. When the Bank is defendant in any action in a State court, it may, at any time before the trial thereof, remove such action into the direct court of the United States for the proper district by following the procedure for removal of cause otherwise provided by law.

STATUS, IMMUNITIES, AND PRIVILEGES

SEC. 9. The agreement, and particularly articles 49 through 56, shall have full force and effect in the United States, its territories and possessions, and the Commonwealth of Puerto Rico, upon acceptance

SEC. 10. The last sentence of paragraph 7 of section 5136 of the Bank. The President, at the time of deposit of the instrument of acceptance of membership by the United States in the Bank, shall also deposit a declaration that the United States retains for itself and its

political subdivisions the right to tax salaries and emoluments paid by the Bank to its citizens or nationals.

SECURITIES ISSUED BY BANK AS INVESTMENT SECURITIES FOR NATIONAL BANKS

SEC. 10. The last sentence of paragraph 7 of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended by striking the word "or" after the words "International Bank for Reconstruction and Development" and inserting a comma in lieu thereof, and by inserting after the words "the Inter-American Development Bank" the words "or the Asian Development Bank".

SECURITIES ISSUED BY BANK AS EXEMPT SECURITIES; REPORT FILED WITH SECURITIES AND EXCHANGE COMMISSION

SEC. 11. (a) Any securities issued by the Bank (including any guarantee by the Bank, whether or not limited in scope) in connection with raising of funds for inclusion in the Bank's ordinary capital resources as defined in article 7 of the agreement and any securities guaranteed by the Bank as to both principal and interest to which the commitment in article 6, section 5, of the agreement is expressly applicable, shall be deemed to be exempted securities within the meaning of paragraph (a) (2) of section 3 of the Act of May 27, 1933, as amended (15 U.S.C. 77c), and paragraph (a) (12) of section 3 of the Act of June 6, 1934, as amended (15 U.S.C. 78c). The Bank shall file with the Securities and Exchange Commission such annual and other reports with regard to such securities as the Commission shall determine to be appropriate in view of the special character of the Bank and its operations and necessary in the public interest or for the protection of investors.

(b) The Securities and Exchange Commission, acting in consultation with such agency or officer as the President shall designate, is authorized to suspend the provisions of subsection (a) at any time as to any or all securities issued or guaranteed by the Bank during the period of such suspension. The Commission shall include in its annual reports to Congress such information as it shall deem advisable with regard to the operations and effect of this section and in connection therewith shall include any views submitted for such purpose by any association of dealers registered with the Commission.

SEC. 12. (a) Subject to the provisions of this Act, the United States Governor of the Bank is authorized to enter into an agreement with the Bank providing for a United States contribution of \$100,000,000 to the Bank in two annual installments of \$60,000,000 and \$40,000,000, beginning in fiscal year 1972. This contribution is referred to hereinafter in this Act as the "United States Special Resources".

(b) The United States Special Resources shall be made available to the Bank pursuant to the provisions of this Act and article 19 of the Articles of Agreement of the Bank, and in a manner consistent with the Bank's Special Funds Rules and Regulations.

SEC. 13. (a) The United States Special Resources shall be used to finance specific high priority development projects and programs in developing member countries of the Bank with emphasis on such projects and programs in the Southeast Asia region.

(b) The United States Special Resources shall be used by the Bank only for—

(1) making development loans on terms which may be more flexible and bear less heavily on the balances of payments than those established by the Bank for its ordinary operations; and

(2) proving technical assistance credits on a reimbursable basis.

(c) (1) The United States Special Resources may be expended by the Bank only for procurement in the United States of goods produced in, or services supplied from, the United States, except that the United States Governor, in consultation with the National Advisory Council on International Monetary and Financial Policies, may allow eligibility for procurement in other member countries from the United States Special Resources if he determines that such procurement eligibility would materially improve the ability of the Bank to carry out the objectives of its special funds resources and would be compatible with the international financial position of the United States.

(2) The United States Special Resources may be used to pay for administrative expenses arising from the use of the United States Special Resources, but only to the extent such expenses are not covered from the Bank's service fee or income from use of United States Special Resources.

(d) All financing of programs and projects by the Bank from the United States Special Resources shall be repayable to the Bank by the borrowers in United States dollars.

SEC. 14. (a) The letters of credit provided for in section 15 shall be issued to the Bank only to the extent that at the time of issuance the cumulative amount of the United States Special Resources provided to the Bank (A) constitute a minority of all special funds contributions to the Bank, and (B) are no greater than the largest cumulative contribution of any other single country contributing to the special funds of the Bank.

(b) The United States Governor of the Bank shall give due regard to the principles of (A) utilizing all special funds resources on an equitable basis, and (B) significantly shared participation by other contributors in each special fund to which United States Special Resources are provided.

SEC. 15. The United States Special Resources will be provided to the Bank in the form of a nonnegotiable, noninterest-bearing, letter of credit which shall be payable to the Bank at par value on demand to meet the cost of eligible goods and services, and administrative costs authorized pursuant to section 13(c) of this Act.

SEC. 16. The United States shall have the right to withdraw all or part of the United States Special Resources and any accrued resources derived therefrom under the procedures provided for in section 8.03 of the Special Funds Rules and Regulations of the Bank.

SEC. 17. For the purpose of providing United States Special Resources to the Bank there is hereby authorized to be appropriated \$100,000,000 all of which shall remain available until expended.

SEC. 18. The President shall instruct the United States Executive Director of the Asian Development Bank to vote against any loan or other utilization of the funds of the Bank for the benefit of any country which has—

(1) nationalized or expropriated or seized ownership or control of property owned by any United States citizen or by any corporation, partnership, or association not less than 50 per centum of which is beneficially owned by United States citizens;

(2) taken steps to repudiate or nullify existing contracts or agreements with any United States citizen or any corporation, partnership, or association not less than 50 per centum of which is beneficially owned by United States citizens; or

(3) imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned;

unless the President determines that (a) an arrangement for prompt, adequate, and effective compensation has been made, (B) the parties have submitted the dispute to arbitration under the rules of the Convention for the Settlement of Investment Disputes, or (C) good faith negotiations are in progress aimed at providing prompt, adequate, and effective compensation under the applicable principles of international law.

SEC. 19. The Secretary of the Treasury shall instruct the United States Executive Director of the Asian Development Bank to vote against any loan or other utilization of the funds of the Bank for the benefit of any country with respect to which the President has made a determination, and so notified the Secretary of the Treasury, that the government of such country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents, or from entering the United States unlawfully. Such instruction shall continue in effect until the President determines, and so notifies the Secretary of the Treasury, that the government of such country has taken adequate steps to prevent such sale or entry of narcotic drugs and other controlled substances.

SEC. 20. (a) *The United States Governor of the Bank is authorized to subscribe on behalf of the United States to thirty thousand additional shares of the capital stock of the Bank in accordance with and subject to the terms and conditions of Resolution Numbered 46 adopted by the Bank's Board of Governors on November 30, 1971.*

(b) *In order to pay for the increase in the United States subscription to the Bank provided for in this section, there is hereby authorized to be appropriated without fiscal year limitation \$361,904,726 for payment by the Secretary of the Treasury.*

SEC. 21. (a) The United States Governor of the Bank is hereby authorized to agree to contribute on behalf of the United States \$50,000,000 to the special funds of the Bank. This contribution shall be made available to the Bank pursuant to the provisions of article 19 of the articles of Agreement of the Bank.

(b) *In order to pay for the United States contribution to the special funds, there is hereby authorized to be appropriated without fiscal year limitation \$50,000,000 for payment by the Secretary of the Treasury.*



INCREASED UNITED STATES PARTICIPATION IN THE ASIAN DEVELOPMENT BANK

JANUARY 21, 1974.—Committee 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. 11666]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 11666) to provide for United States participation in increases in the ordinary capital and special funds resources of the Asian Development Bank, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

H.R. 11666 amends the Asian Development Bank Act of 1966, as amended, to authorize the U.S. Governor of the Asian Development Bank to subscribe on behalf of the United States to thirty thousand shares of the capital stock of the Bank. The bill also would authorize the appropriation without fiscal year limitation of \$361,904,726 for payment by the Secretary of the Treasury for this increase in the U.S. subscription.

H.R. 11666 also amends the Asian Development Bank Act to authorize the U.S. Governor of the Bank to agree to contribute on behalf of the U.S. \$50,000,000 to the special funds of the Bank. The bill authorizes the appropriation without fiscal year limitation of this amount in order to pay for the contribution.

The purposes of the bill are twofold. First, the U.S. would contribute \$150 million to the Bank's new Asian Development Fund, a soft-loan operation. The initial \$100 million of the U.S. share has already been authorized by the Congress and \$50 million appropriated.

Although the United States was a founding member of the Asian Bank, the U.S. until last year never contributed to the Bank's concessional lending resources. But over a period of three years other nations have contributed about \$250 million. These funds are mostly

committed, and the Asian Development Bank will soon run out of funds for concessional lending unless new resources become available. The proposed Asian Development Fund will avoid a cessation of concessional lending operations, and sustain new lending over a planned three year period.

The proposed contributions by all donor countries to the Fund will amount to approximately \$525 million. The U.S. share, of \$150 million, including the \$50 million authorized in H.R. 11666, would amount to 29 percent of the total.

The second purpose of the bill is in regard to U.S. participation in a replenishment of the Bank's ordinary capital. This participation will enable the United States to retain a voting position and influence in the Bank commensurate with the U.S. financial and policy interest in the Bank and in the region. Furthermore, it will provide the Bank with needed additional resources for its nonconcessional or hard loan operations.

Other member countries of the bank have already provided their share of the planned proportionate capital increase for the Bank. The increase in the Bank's capital stock went into effect November 23, 1972, when the required number of other stockholders notified the Bank of their interest to subscribe. Since the U.S. has not yet taken up its share of the capital, the voting strength of the U.S. shares has been reduced from 17 percent to about 8 percent. This share is inadequate if the United States wishes to have an ongoing, effective voice in the Bank.

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 ADB in terms of international economic cooperation and presented the following key points, which the Committee feels are especially noteworthy:

Institutions such as ADB 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 enduring 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.

BACKGROUND

The Asian Development Bank was founded in 1966. Its origins lie with the First Ministerial Conference on Asian Economic Cooperation in December 1963 and that Conference's recommendation for the establishment of a bank with a particularly Asian direction and character. The Asian Development Bank is a regional institution expressly established to foster economic growth and cooperation in Asia and the Far East and to contribute to the acceleration of economic development in its recipient member countries. The Bank's continued existence and success represent an outstanding milestone in Asian initiative and economic cooperation during the decade of the 1960's.

Membership in the Bank is open to all members of the United Nations Economic Commission for Asia and the Far East and other regional countries and nonregional developed nations participating in the United Nations or any of its specialized agencies.

The Bank now has 40 members, the most recent admissions being Burma and the Solomon Islands. Twenty-six of the members are regional countries, including the developed nations of Japan, Australia and New Zealand. Fourteen of the members are nonregional countries including the United States and Canada and twelve Western European countries. The decision of the United States to become a member of the Bank was a key factor in assuring major nonregional support for the Bank.

United States membership in the Asian Development Bank was authorized by the Asian Development Bank Act (P.L. 89-369) of March 16, 1966. The Act provides for a United States equity holding of \$200 million, or twenty percent of the originally authorized ordinary capital stock. Fifty percent, or \$100 million is in the form of callable capital, which provides a guarantee for flotations of Asian Development Bank bonds in the private capital markets of the world.

The callable capital represents a contingent liability of the U.S. Government and would only be drawn down in the unlikely event it were needed to meet bond obligations of the Bank, and then only on a proportional basis with that of other stockholders.

The remaining fifty percent of the original United States ordinary capital share is in the form of paid-in capital. This \$100 million in paid-in capital was provided in five equal annual payments from 1966 to 1970. Some \$50 million was paid in cash, the remaining \$50 million was paid in noninterest bearing letters of credit, some of which have since been encashed.

Total U.S. participation in the various international development lending institutions is shown below:

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	^a 193	20.1	(3)	(3)	(3)
(2) Callable capital.....	502	100	19.9	4,045	^a 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.

^a No change.

^b Translated into 1973 dollars.

^c 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 footnote.

ADMINISTRATION CONSULTATION

The Committee notes the improved efforts of the Treasury to consult with it before undertaking new commitments to the multi-lateral 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.

ASIAN DEVELOPMENT FUND

At its Sixth Annual Meeting in April 1973, the Board of Governors adopted a resolution entitled "Establishment of the Asian Development Fund," which laid down the basic principles for a new form of Special Fund and authorized the Bank to make arrangements with potential contributors for mobilizing resources for the Fund. These arrangements were to be modeled on those for the World Bank's affiliate, the International Development Association, and would replace *ad hoc* arrangements under which the ADB had previously received about \$250 million in voluntary contributions by other countries to Special Funds. The United States did not contribute to these Special Funds, but a contribution of \$100 million was authorized by Congress in 1972.

Subsequent agreement was reached among the Bank's developed member countries, subject to approval of their respective legislatures, on an initial resource mobilization for the Fund of \$525 million for the three-year period ending December 31, 1975, of which \$150 million would be provided by the U.S.

The proposed mobilization of resources would be in two stages:

(a) Contributions in the first stage would aggregate \$350 million. Each member's contribution to this stage would be in an amount equivalent to two-thirds of the total contribution proposed for the member. This contribution could be tied to procurement from the contributor. The proposed U.S. contribution to this stage would be \$100 million, taken from the previously authorized U.S. contribution to the Bank's Special Funds.

(b) Contributions in the second stage would aggregate \$175 million. Each member's contribution to this stage would be for the remaining one-third of its total contribution and could not be tied. The proposed U.S. contribution to the second stage would be \$50 million, the amount contained in H.R. 11666.

The proposal to divide the resource mobilization effort into two stages, the first of which may be tied, was specifically designed to accommodate the position of the U.S., since it would allow the U.S. to contribute the \$100 million already authorized by Congress as its contribution to the first stage and require only a \$50 million further contribution for the second stage. In this way, the U.S. cumulative share in the ADB's Special Funds (old and new) would be limited to less than 20%.

The proposed arrangements contemplate an initial resource mobilization for the three-year period ending December 31, 1975 of \$525 million, to be provided by contributions from the developed country members of the Bank. Within the \$525 million total, specific allocations of individual contributions have been proposed as shown in the

following Table. It is recognized that the basis for allocation is primarily pragmatic and not necessarily an appropriate precedent for the future.

PROPOSED CONTRIBUTIONS TO ASIAN DEVELOPMENT FUND

[In U.S. dollars]

Member:	Proposed contribution	Share (percent)
Australia.....	27,000,000	5.1
Austria.....	4,500,000	.9
Belgium.....	4,725,000	.9
Canada.....	10,000,000	1.9
Denmark.....	4,300,000	.8
Finland.....	3,800,000	.7
France.....	27,500,000	5.3
Germany.....	34,500,000	6.6
Italy.....	20,000,000	3.8
Japan.....	177,000,000	33.7
Netherlands.....	11,125,000	2.1
New Zealand.....	6,000,000	1.1
Norway.....	4,000,000	.8
Sweden.....	6,900,000	1.3
Switzerland.....	5,400,000	1.0
Switzerland (supplementary contribution).....	750,000	.1
United Kingdom.....	27,500,000	5.3
United States.....	150,000,000	28.5
Total.....	525,000,000	

LENDING POLICIES

The ordinary capital operations of the Asian Development Bank constitute the "hard loan window" of the Bank. In contrast to the special funds or "soft loan window," these "hard" resources are provided to recipient countries at a close to commercial market rate which reflects two competing criteria: the needs of recipient countries and the discipline of the private capital market.

The Bank is firmly committed to maintaining a lending rate as low as possible in order to promote the economic and social progress of its developing member countries. At the same time, because it must borrow funds from private capital markets, the Bank is required to build up adequate reserves and to maintain a sound general financial condition.

Taking these two criteria into account, the Bank initially established an ordinary capital lending rate of 6 $\frac{1}{8}$ percent. In June of 1970, that rate was raised to the current level of 7 $\frac{1}{2}$ percent as a result of a general rise in the world-wide interest rate structure and the related increase in the Bank's cost of capital. Maturities range up to 28 years. As the Bank depends less on governmental contributions and more on private capital markets to replenish its ordinary capital resources, the importance of its reputation as a sound financial institution is heightened.

The Special Funds resources of the Bank are used to finance priority development projects and programs, chiefly in the least developed countries of the region, on concessional terms. Interest charges on loans from the Special Funds have ranged from 1.5 to 3.0 percent per annum, while repayment terms have varied from 12 to 40 years, including grace periods of 3 to 10 years.

Because the amount of Special Funds resources available for commitment in 1973 was insufficient to meet the lending program for the year, the Directors of the Bank in June of 1973 authorized an interim

arrangement whereby Special Funds resources are "blended" with Ordinary Capital resources in such a way as to: (1) maintain the overall concessional terms under which Special Fund projects in individual members were being financed and (2) enable the Bank to proceed with its lending program. Under this arrangement, the individual project would receive two loans, one from each lending window, in order to maintain legal and accounting separation of the funds.

As a result, Special Fund loans are being made on especially soft terms for a limited period. For example, terms in this Special Fund portion might be as low as: interest rate of 1 percent, repayment over 40 years, including grace period of 10 years.

BORROWING ACTIVITY

The Bank's primary means of increasing its resources for lending from ordinary capital is to borrow by floating securities in private capital markets. For a relatively young institution, the Bank has moved rapidly to firmly establish itself as a reputable borrower in the world's private capital markets. Its reputation is based on the market's high assessment of its management capability and the merits of its overall loan portfolio. Its authority to borrow is based upon the callable capital subscriptions of its member countries.

The Bank first entered the international capital market in September 1969, when it arranged a bond flotation in the Federal Republic of Germany. Since 1969 the Bank has sold additional bonds in Japan and West Europe. The Bank's total borrowings up to the end of 1972 amounted to the equivalent of \$230.5 million and were denominated in eight currencies.

The share of total funded debt raised thus far in the United States is twenty percent. The corresponding figures for Japan and West Europe are respectively forty percent and thirty-one percent. This geographical distribution of the Asian Development Bank's funded debt is similar to the recent borrowings of other multilateral lending institutions.

LENDING PROGRAMS

In its 7th year of operations, the Asian Development Bank clearly has emerged as an important economic development lender in Asia and the Far East. For some of its recipient member countries it has become the primary source of foreign capital.

As of September 30, 1973, total loan funds committed by the Bank amounted to \$1,079 million and involved 127 individual projects in 19 different countries. Of these projects, 82 loans totalling \$830 million were financed from ordinary capital resources at near market rates of interest and at maturities of from 10 to 25 years. The remaining \$249 million represented 54 loans financed from Special Funds resources at concessional rates of interest. In calendar year 1972, its most recent complete year of operations, the Bank made Ordinary Capital and Special Fund loan commitments of \$330 million.

In terms of geography, the Bank has made loans in nineteen of its developing member countries from Afghanistan in Western Asia to Western Samoa in the Pacific. Much of this activity has taken place in countries which have been important to the political and economic foreign policy interests of the United States.

For example, \$213 million of Ordinary Capital resources has been lent to Korea; \$100 million to the Republic of China; \$116 million to the Philippines; and \$96 million to Thailand. From Special Funds resources, Indonesia has received \$78 million and Pakistan, \$18 million. These and other countries whose economic and social progress are making significant contributions to stability in Asia, and to United States interests there, have benefitted from a large proportion of the Bank's resources at a minimal, burden-sharing cost to the United States.

From an economic sector point of view, the Bank's projects have been mainly in electric power (27%), industry and development banks relending to industry (23%), and communications and transport (24%). Agriculture and water supply projects have also been emphasized, and recently the Bank financed two projects for education from its Special Funds resources.

At the end of 1972, the total estimated cost of projects for which the Bank has provided direct financing reached \$1,640 million, of which Bank loans accounted for 46 percent. In addition, the Bank had provided indirect financing through intermediate credit institutions for projects with estimated total cost of about \$600 million of which the Bank's portion amounted to 27 percent.

Thus far, the Asian Development Bank has provided financing only to cover the foreign exchange costs of its projects. In the great majority of instances, these have been direct foreign exchange costs based on international competitive bidding for procurement of specific goods and services. In a few special cases, the Bank has also financed indirect foreign exchange costs by estimating the foreign exchange component of goods bought off the shelf in the recipient country.

In calendar year 1972, two perceptible trends emerged: greater attention to least-developed member countries and a sharp increase in the commitment level of Special Funds Resources. The loan share of the six least-developed members rose to 17.5 percent as opposed to 7.8 percent in the previous year. Special Funds loan approvals rose from \$42.8 million in 1971 to \$94.3 million in 1972.

BALANCE OF PAYMENTS AND BUDGETARY IMPACT

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 the Asian Development Bank ordinary capital operations however does involve a balance-of-payments cost for the U.S. In the past, the percentage of ADB-financed contracts being awarded to U.S. firms has been relatively low. This seems to have been a reflection of a general lack of price competitiveness vis-a-vis Japan and industrial countries of Western Europe. With substantial

currency realignments in relation to both the Japanese yen and the German mark, this situation should improve materially. By aggressively competing for contracts financed by ADB resources, U.S. firms can lay the groundwork for later orders and begin now to repenetrate markets that in recent years have been dominated by other industrial countries. Full participation by the United States in both the Ordinary Capital and Special Funds of the Asian Development Bank is particularly important for this reason.

With regard to U.S. contributions to the special funds of the bank, the original \$100 million is, under the terms of the 1972 authorizing legislation and by agreement with the other donors, tied to procurement of U.S. goods and services, ensuring direct benefits to U.S. suppliers and facilitating U.S. entry into key markets in Asia.

With regard to the budgetary impact of this bill, the ordinary capital contribution of \$362 million will be paid in three annual installments of about \$121 million each beginning in 1974. Eighty percent of the total amount, or \$289 million, would be in callable capital. The remaining 20 percent (\$72 million) would be in the form of paid-in capital to be made available over the three year period. Of this paid-in portion, 40 percent would be in cash and 60 percent would be in noninterest bearing letters of credit to be drawn down as needed to meet disbursement needs of the Bank.

Hence the United States will pay in only \$9.7 million in cash each year for three years. A further \$14.5 million annually would be in letters of credit and \$97 million a year would be callable or guarantee capital—modest outlays to produce large amounts of new loan resources for the Bank.

It is anticipated that appropriations for the \$50 million contribution to the Asian Development Fund will be requested in FY 1976. The funds would be paid in non-interest bearing letters of credit to be drawn down over a period of several years.

CONCLUSION

Your Committee strongly believes that the United States should contribute to the Special Funds of the Asian Development Bank and should subscribe to additional ordinary capital stock of the Bank.

The United States has made a wise investment in the Asian Development Bank. As an instrument for the economic and social development of its member countries, it is a fully effective concern which supports the basic foreign policy interests of the United States.

Almost eight years after its formal inauguration, the Bank is firmly established as a viable development lender enjoying an excellent reputation in private capital markets of the world. The Bank's contributions to the developing countries in Asia and the Far East are apparent from examination of its lending and technical assistance programs. Its reputation with bond holders is demonstrated by its ability to raise large amounts of funds in all major markets.

With the reduction of tensions in the Asian region, the Bank is well qualified to play an even more important role. Throughout the region, all countries are turning now to confront the crucial problems of their economic growth and development. They regard the Bank, which is an Asian answer to Asian problems, not only as a source of capital, but also as a focal point or forum for consultation and coordination among

themselves and with the developed countries. Regaining its original equity position with the Bank, the United States can continue to play its own role in the region in concert with other nations.

The establishment of the new Asian Development Fund is necessary in order to continue and expand the Bank's concessional lending activities. To date its efforts in this lending area have been small, reflecting its need to first establish itself as a sound financial institution making conventional loans. Its proposed concessional lending program, nevertheless, is moderate—reaching only \$250 million in 1975. Without the new Fund, however, it is doubtful that the Bank can continue even its present levels of concessional lending, about \$100 million per annum. Its existing resources for this purpose will be exhausted by the end of 1973. Prompt Congressional action to authorize an additional \$50 million U.S. contribution is essential to give full effect to the internationally agreed program of financing for the Fund.

The replenishment of the Ordinary Capital resources of the Asian Development Bank was necessary and timely for the continuation of the Bank's conventional lending activity in the region at only moderately increased levels. The other members have now taken up their respective share of the increase and formally brought the agreement into effect. As a result, the U.S. original 16 percent voting strength in the Bank has dropped to 7.6 percent, a level below the threshold for effective representation of United States interests. The original equity position of the U.S. needs to be regained in order to exercise the appropriate degree of influence both within the Bank and within the region. It now has become urgent, therefore, for the United States to take up its appropriate share and to regain the original voting position. Authorization by Congress of the \$362 million subscription would permit accomplishment of these important objectives.

Your Committee has long believed that the foreign 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 ADB'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 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 aid 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 ADB urgently needs additional resources. Therefore, your Committee strongly recommends the enactment of H.R. 11666.

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. The Committee believes that it would be appropriate to authorize the appropriation, without fiscal year limitation, of the amounts necessary for payment by the Secretary of the Treasury of \$50,000,000 for the United States share of the Special Funds of the Asian Development Bank and \$361,904,726 for the United States share of the increase in the Ordinary Capital of the Asian Development Bank. The Ordinary Capital contribution will require payments of \$9.7 million in cash each year for three years beginning in 1974, and provide \$14.5 million in letters of credit, plus \$97 million in callable capital.

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.

SECTION-BY-SECTION ANALYSIS

First section.—Authorizes the United States Governor of the Asian Development Bank to subscribe on behalf of the U.S. for 30,000 additional share of the capital stock of the Bank, and authorizes the appropriation of \$361,904,726 in payment for the subscription.

Second section.—Authorizes the U.S. Governor of the Asian Development Bank to agree to contribute on behalf of the U.S. \$50,000,000 to the special funds of the Bank, and authorizes the appropriation of the amounts necessary for the contribution.

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):

ASIAN DEVELOPMENT BANK ACT
AN ACT

To provide for the participation of the United States in the Asian
Development Bank.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Asian Development Bank Act."

* * * * *

SEC. 20. (a) The United States Governor of the Bank is authorized to subscribe on behalf of the United States to thirty thousand additional shares of the capital stock of the Bank in accordance with and subject to the terms and conditions of Resolution Numbered 46 adopted by the Banks' Board of Governors on November 30, 1971.

(b) In order to pay for the increase in the United States subscription to the Bank provided for in this section, there is hereby authorized to be appropriated without fiscal year limitation \$361,904,726 for payment by the Secretary of the Treasury.

SEC. 21. (a) The United States Governor of the Bank is hereby authorized to agree to contribute on behalf of the United States \$50,000,000 to the special funds of the Bank. This contribution shall be made available to the Bank pursuant to the provisions of article 19 of the articles of Agreement of the Bank.

(b) In order to pay for the United States contribution to the special funds, there is hereby authorized to be appropriated without fiscal year limitation \$50,000,000 for payment by the Secretary of the Treasury.

○

PROVIDING FOR THE CONSIDERATION OF H.R. 11666

JANUARY 22, 1974.—Referred to the House Calendar and ordered to be printed

Mr. SISK, from the Committee on Rules,
submitted the following

REPORT

[To accompany H. Res. 780]

The Committee on Rules, having had under consideration House Resolution 780, by a nonrecord vote reports the same to the House with the recommendation that the resolution do pass.





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 Asian Development Bank.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Asian Development Bank Act, as amended (22 U.S.C. 285-285p), is further amended by adding at the end thereof the following new sections:

“SEC. 20. (a) The United States Governor of the Bank is authorized to subscribe on behalf of the United States to thirty thousand additional shares of the capital stock of the Bank in accordance with and subject to the terms and conditions of Resolution Numbered 46 adopted by the Bank's Board of Governors on November 30, 1971.

“(b) In order to pay for the increase in the United States subscription to the Bank provided for in this section, there is hereby authorized to be appropriated without fiscal year limitation \$361,904,726 for payment by the Secretary of the Treasury.

“SEC. 21. (a) The United States Governor of the Bank is hereby authorized to agree to contribute on behalf of the United States \$50,000,000 to the special funds of the Bank. This contribution shall be made available to the Bank pursuant to the provisions of article 19 of the articles of agreement of the Bank.

“(b) In order to pay for the United States contribution to the special funds, there is hereby authorized to be appropriated without fiscal year limitation \$50,000,000 for payment by the Secretary of the Treasury.”

Speaker of the House of Representatives.

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

December 11, 1974

Dear Mr. Director:

The following bills were received at the White House on December 11th:

S. 2193 ✓	H.R. 7730 ✓
S. 2363 ✓	H.R. 8352 ✓
S. 3906 ✓	H.R. 8824 ✓
S. 4040 ✓	H.R. 11929 ✓
H.R. 6274 ✓	H.R. 14214 ✓
H.R. 6925 ✓	H.R. 17026 ✓

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.