submission of legislation to the Congress in January 1966, Secretary of the Treasury Henry H. Fowler said "The Bank could not only provide needed new capital of its own but also made available to it by developed countries on special terms and for special purposes, as for example a portion of the President's Southeast Asian multilateral program for economic and social development." No firm plans for submission of a request for authority to participate in special funds had been formulated at the time of the original submission of the Asian Bank legislation, and Administration representatives made it clear that such U.S. participation would have to be pursuant to new authority granted by the Congress.

In his State of the Union message last January, President Johnson announced his intention of seeking $200 million as a U.S. contribution over a period of years to be administered by the Asian Development Bank.

The Administration's preliminary views as to special funds and their relationship to new regional programs in Asia were outlined to Congressional committees in March and May by Mr. Black.

The balance of this report is devoted to an analysis of the objectives and mechanisms involved in the proposal for which the President is requesting a $200 million, 4-year authority from the Congress.

III. Analysis of the Proposal

A. THE PROPOSAL IN BRIEF

The proposal now being submitted to the Congress would provide the basis for implementing those provisions of the Charter of the Asian Development Bank that will enable it to engage in lending in support of regional development projects and programs in Asia on the easier financial terms such projects and programs require. From the U.S. viewpoint, the proposal is to authorize $200 million for appropriation over a 4-year period which would be used to contribute the U.S. share of multilateral special funds under the Bank's administration. In order to avoid any unfavorable impact on the U.S. balance of payments, our contribution would in fact take the form of U.S. goods and services.

In order to assure a multilateral character to the fund and an appropriate sharing of the burden, the United States would make its contribution available only to the extent other advanced countries contribute the majority of the resources for special funds so that our contribution would constitute a minority of the total. These multilaterally shared funds would be used to finance high priority development projects, primarily in Southeast Asia. In immediate prospect are special funds for regional agricultural development, development of the Mekong River Basin and a regional transportation and communications program in Southeast Asia. Individual projects for which multilateral financing could be arranged but which were outside the scope of these three broad programs might also be handled as special funds under Asian Bank's administration. Thus, use of some of the funds under the Bank's administration in high-priority projects in member states in other parts of the Asian region than Southeast Asia